OCT. 14 1933

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BUSINESS WEEK

© Wide World

CLAUSE 7(a) GONE WRONG—NIRA "right to organize" stirs up old disputes over union recognition, with outbreaks of violence like this at Ambridge, Pa.

cGRAW-HILL
UBLISHING
OMPANY, INC.

0 CENTS

"YELLOW" the Light Thief BANISHED AT ITS SOURCE

ALL white paints are nice and white when they've first been painted on your plant ceilings and walls. But how long will they stay that way? How long before they become dingy . . . turn *yellow? That's* the question!

The answer will either cost or save you money. If the paint turns yellow—reflected light is diminished, plant efficiency suffers, production costs go up. And your *only* remedy will be an expensive repaint job.

Make sure the paint you buy will remain bright, white, year after year. Specify Interior Barreled Sunlight. It's made by the noted "Rice Process"—a process that banishes yellow at its linseed oil source.

Not a "Bleach"

Refined linseed oil, as shown in the upper tube at the left—is yellow in color. Bleaching will whiten it only temporarily. The most careful bleaching won't prevent this yellow from spreading sooner or later over ceilings and walls.

"Yellow" removed by the Rice Process, as indicated in the lower tube, on the other hand, is definitely *out!* You may be certain that white paint made with Rice Processed linseed oil stands little chance of becoming yellow upon your ceilings and walls. You may be sure that Interior Barreled Sunlight, the Rice Process White, will remain white longer than any other oil-gloss paint or enamel, domestic or foreign. The statement below is your surety of this.

It will not be long before present low paint and labor costs will rise. Save money by painting up with Interior Barreled Sunlight *now!*

For more detailed information, write for the booklet, "More Light with Lasting Cleanliness." Address U. S. Gutta Percha Paint Company, 1 N Dudley Street, Providence, R. I. Branches or distributors in all principal cities. (For Pacific Coast, W. P. Fuller & Co.)

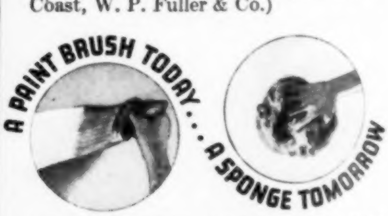
THE UPPER VIAL contains refined linseed oil commonly used in white oil paints. This yellow color disappears when the oil is mixed with white pigments. But it is still there . . . sooner or later to appear upon your ceilings and walls!

. . .

THE SAME OIL treated by the "Rice Process" appears as shown in the lower vial. The Rice Process not only removes "yellow," but also gives Interior Barreled Sunlight its remarkable hiding power and ease of flow.

YOUR SURETY

We maintain that Interior Barreled Sunlight, the "Rice Process" White, will remain white longer than any oil-gloss paint or enamel, domestic or foreign, applied under the same normal service conditions and according to our specifications. If it does not do so, we will give, free, enough Barreled Sunlight to repaint the job.



A PLANT PAINTED with Barreled Sunlight spends little money on maintenance. This amazingly smooth, non-porous white paint resists dirt . . . is as easy to wash as tile. Soap and water carry on the job of maintenance. And there's no need to repaint to overcome dingy yellowed ceilings and walls. Barreled Sunlight remains cleaner, whiter, year after year.

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This Business Week

FERVENT agitation for currency inflation has died down for the moment. Possibly this is due to the truce the President is reported to have asked for, while he tested to the full his campaign for inflation through expanding credit. Unless recovery makes obvious progress within a reasonable time, the currency inflationists of course will get busy again and next time will be even louder.

A JOB-SEEKER recently made an urgent appeal to Secretary Roper. He wanted to be a trade commissioner, he wrote, but if those jobs were all filled, he would be willing to take an ambassadorship.

ONE of the biggest of all users of steel charges privately that it was given private assurances by leaders of the steel industry that the steel code would contain provisions for a price differential protecting big consumers. But when the code was made public, there was nothing of the kind in it; instead there is a one-price-for-all set up. "Double crossed!" yells the big consumer.

CHARLES M. SCHWAB once again heads the Steel Institute and W. S. Tower of Bethlehem is executive secretary. In the days of Judge Gary, say old-timers, Big Steel never would have taken a back seat. What they do not appreciate is that perhaps Big Steel has its own reasons for not sitting right down in front.

HUMPHREY DUMPTY sat on a wall,
Roosevelt asked him to take a great fall.
But stopping his pay checks and tying
the can
Just left Humphrey laughing at "that
funny man."

OTHER members of the Trade Commission told Mr. Humphrey when he showed up at a meeting that he was a broken egg, officially. But they didn't eject him bodily. He continues to occupy his office. He still says the President has no right to fire him, and that there'll be litigation.

THE Blue Eagle has been patented by Uncle Sam, who had pull enough at the Patent Office to get it slipped in ahead of the usual order by giving it a "½" number (90793½). Charles Toucey Coiner of Mechanicsville, Pa., is listed as "inventor." He is an art director for N. W. Ayer. Now users who violate terms of license can be sued for infringement.

THE Brookings Institution, which is being raided for men regularly by the Administration, now contributes an assistant director of the Bureau of Foreign and Domestic Commerce. Dr. Nathaniel H. Engle, expert on distribution, will carry out the promise of Dr. Willard L. Thorp, director, that distribution would have special attention under his régime. Dr. Engle taught economics at Harvard and at Brown. He spent 4 years in the wholesale grocery business.

"IT is easier to kill a man than to get him a job. But it took 60 million men equipped with the most diabolically efficient devices 4 years to kill 9 million men. And yet America expects Hugh Johnson and a thousand helpers to put 10 million men to work in 100 days." So speaks C. L. Heyniger, formerly of Cadillac, now a resident industrial adviser.

NARROWING of differentials between Northern and Southern wage scales, alert industrialists say, is going to open a huge market for more efficient plant equipment in that section.

SENATORS who have been conducting a Wall street probe were ruffled when they discovered this week that the executive branch of the government is running a quiet little Wall street investigation of its own—suggested, it is said, by the Brain Trust. Which makes one more congressional grudge against the professors.

WINFIELD RIEFLER, formerly of the Division of Research and Statistics of the Federal Reserve Board, has become the key economist in Washington by virtue of his elevation to the post of economic adviser for the new executive council and as head of the new Central Statistical Board. He will be in a position to keep recovery policy within realistic channels. Those who know him declare that he has an uncanny ability for separating the fundamental from the ethereal.

ANDREW TEN EYCK, of New York, formerly confidential assistant to Governor Roosevelt, and now attorney for the Securities Division of the Federal Trade Commission, says the Securities Act can be made to function, despite pessimism in the New York Stock Exchange. Mr. Ten Eyck was counsel for the Exchange in 1923 when he made a study of the Companies Act of England and advocated a similar law for this country. But he did not expect it to have such shark's teeth.

The Business Outlook

Heavy industries, like steel and pig iron, found September somewhat below the summer levels, but employment in manufacturing plants of New York State continued to expand. And as New York goes, so goes the nation—at least in this matter. . . . Railroads, too, found that increased traffic required additional service. . . . Department stores, however, experienced a set-back. An 8% increase in clothing prices probably helped to retard consumer buying. . . . Administration officials are now trying to revive public consumption in a broad "Buy Now" campaign. . . . Strikes still impede smooth operations in coal and motor centers, but a determined effort is being made to discourage further outbreaks that might jeopardize the recovery program. . . . Steel is looking to rail and public works orders to take up the slack when current orders are filled. Resentment against the Government's pressure for lower rail prices still smarts. . . . September construction reached the year's peak. . . . Coal production and shipments are expanding in spite of strikes, but electric power consumption declined slightly as October began. . . . Check transactions reached the autumn high, and currency outstanding expanded to meet trade demands. . . . Outside of hog prices, the general commodity trend was weak. Crop news as of Oct. 1 indicated weather all too favorable.

"Acres of Diamonds"

NOT in every "backyard," but, in your factory, a search may reveal unusual opportunities for profit through the right kind of modernization. In Rockford, Ill., for example, the Ingersoll Milling Machine Co. made a clean sweep of its obsolete drives. The result: all machines were relocated to obtain the best working conditions and substantial savings are reported.

Surveys conducted in hundreds of industrial plants show that, at some point, there is nearly always an opportunity for profitable modernization. Perhaps it's only a new motor and control for a single machine, a spot of electric heat for a process, the introduction of arc welding—perhaps it's the modernization of an entire plant. The important thing is that the right kind of modernization offers practically every manufacturing plant a specific opportunity to save money.

Why not encourage men in your organization to look for such opportunities for worthwhile modernization, and then act on their sound recommendations, so that your plant may be in a strong, competitive position? General Electric, Schenectady, New York.

The right kind of modernization pays for itself and then adds to profits. When you operate obsolete equipment, you pay for modernization without getting it

200-778

GENERAL ELECTRIC

BUSINESS WEEK

OCTOBER 14, 1933

Buy Now, Because—

NRA's big drive to start consumer buying is based on human nature and dollar signs—not patriotism and posters. Self interest is the slant.

THE Recovery Administration thinks it's time to advertise. The idea has been approved, the campaign laid out, the copy OK'd. All that remains is the appropriation. And with sales letters to the country's manufacturers and shrewdly reasoned appeals to the publishers, General Johnson is taking care of that.

Background and basis of what the headline writers have tagged the "Buy Now" campaign is the missionary work among those who will supply the cash, the white space, and the air time. In his direct-mail campaign to advertisers, the General stresses the copy theme which is expanded in the consumer copy. Self interest, not patriotism, is the slant.

"Fear has been a powerful factor in keeping tight drawn the purse strings of the nation. . . . We have accumulated here in Washington a body of indisputable evidence that the occasion for such fear has ceased to exist . . . that the fear itself is rapidly losing its grip on the public." The facts and supporting figures of employment, production, carloadings are presented.

"We believe the opportune moment is at hand for American industry to bend every effort toward increased sales. . . . Give the public attractive, up-to-date merchandise fairly priced. . . . Help the public to find the goods it needs. . . . The modern method is advertising. The American public looks to advertising for *news* of good merchandise and good values. There has never been a time when the public was so alert for news as now. Events have moved so rapidly that people would be completely ignorant of what is going on if they did not closely follow the press. This tremendous public interest in *news* can be capitalized by American industry. And the way to do it to place the news about a good value or a good product side by side with the other news of the world."

Other mailings to manufacturers continue the survey of the new market made by increasing confidence, awaiting advertising action.

So much for advertisers. To the publishers, the Administrator addresses an appeal equally interesting. "You will recall that we went to some pains to prove to the manufacturer that the time is now ripe for aggressive and sustained advertising. We indicated also the factors which during the past few years have reduced the value of the advertising dollar and the amount of advertising placed . . . millions without employment, without purchasing power . . . everyone who had any money deterred from spending it by fear and apprehension about the future.

"As a result, the average consumer approached advertising in a negative frame of mind . . . had an abnormally high sales resistance . . . was two-thirds convinced in advance that he didn't want the product and couldn't afford to buy it anyway. . . . The volume of advertising itself was so far reduced that the reader was deprived of the news about merchandise and values . . . his interest waned in those advertisements which remained *and in the publications in which they appeared.*"

The italics are ours, the inference is obvious. The General continues: "If we wish to encourage the manufacturer

Business Week

SAMPLE COPY—NRA's suggestions to advertisers show consumers who have been doing without things they need *why* they can and should "buy now."

to increase his advertising appropriations, we must help to create public confidence and acceptance for the products which he advertises in your paper."

Enclosed with this letter to the publishers were two portfolios, produced by the Government Printing Office, containing sample advertisements to be run by the publishers and others to be sponsored by representative industries. Advertising-Manager Johnson then comes to the point:

Selling the Publishers

"We believe that the publication of these statements at regular intervals would do much to increase advertising lineage . . . that these suggestions to the manufacturers will create a considerable amount of new business for you. We earnestly suggest that you have your representatives call immediately upon your chief customers and prospects and also upon their advertising agencies. The above problem is, in our opinion, of the highest importance in creating a greater volume of advertising lineage . . ."

There have been many drives to loosen the consumer's purse strings. Fred Bohen, of Meredith Publishing Co., recently summed them up. There was "Prosperity" which was NOT just around the corner; there was patriotism, and altruism, and "Don't Hoard," which just reminded a lot of people about a lot of reasons why they should. And there was blind, unreasoning "Buy Now" which has become a hackneyed theme for great newspapers and corner fruitstands alike.

The new campaign is not just another "Buy Now" drive. It is emotional in that it encourages self-interest, but it supports selfishness with facts. "Reason why" copy demonstrates the wisdom of buying new shoes, stocking up the pantry and the medicine chest, investing in precious things, buying gasoline in advance, acquiring more shoes than can be worn at one time, trading in the old car, junking the old radio, buying the new clothes, fixing up the house, and getting all the appliances for the American standard of living while they are cheap.

Emotion Plus Facts

Copy is addressed to the average man. A typical piece headed, "Cash in your pocket and clothes on your back," dramatizes briefly, "We know a young lawyer who early last summer purchased a brown herringbone suit for $7.98. *But tired women who sewed in linings were paid 5¢ a coat.* A mechanic we know picked up a pair of brown Scotch grain shoes for $1.59. *'Sorry,' said the manager to the shoe department clerk, 'eight dollars a week is all we can pay you now.'* "

Following the sentiment, the selfishness: prices are going up (the copy quotes dollars and cents) the costs of the raw materials in shoes, radios, paints, drugs are going up, the cost of labor is going up (which is good for all of us) so it's smart to be selfish and buy the things you've long wanted at prices which can't last long. Actual price increases and percentages, furnished by NRA statisticians, are used throughout.

The sample copy is modestly put forward "as suggesting the background copy only. Your advertising agency will probably want to prepare special copy to meet your particular situation. It is hoped that advertisers and agencies will find something of value in the enclosed suggestions."

Layouts are carefully careless, any agency has plenty of room to show its stuff. Illustrations are obvious "swipes" from old magazines so that art directors are not cheated out of their chance. Copy chiefs, presumably, get the same break, but the copy, as it stands, is so "right" that it will be difficult to surpass in simplicity and inclusiveness.

The campaign as a whole bears the characteristic stamp of no particular agency or advertiser. Professional though it is, it was not, as a matter of fact, produced in an agency. It is the labor of love of one man.

A few weeks ago, Lieutenant Johnston (who spells his name with the "t" his father dropped in West Point) met Harry Batten, Ayer vice-president in charge of copy. Batten unburdened himself to the Lieutenant, who told his father, the General, who sent for Batten.

Batten put his hat on over his ideas and spent his vacation in Washington. He convinced the General of the necessity of merchandising the NRA, of advertising advertising, of—above all—*keeping it selfish.* Johnson, who has been bombarded with all sorts of "Buy Now" ideas, saw the sense of this one, gave Batten the go-ahead.

Batten went to work, roughed out the pattern for the General's direct-mail campaign to advertisers and publishers, wrote the 24 sample pieces of copy, outlined the patter for a series of radio talks in which American sweethearts like Marie Dressler will play straight man to prominent economists to inoculate the populace with the fundamentals painlessly.

Returns Encouraging

So back of the bare "Buy Now" posters ("We Do Our Part—Now You Do Your Part") is swelling a well-motivated, well-organized pressure to put the thing across. Results are already encouraging. Manufacturers are trotting out the new products which had been shelved for better times and polishing up the old standbys; even hard-boiled publishers who have resisted previous attempts to chisel free space are proving more amenable to an idea which is so obviously for their own good. And consumers are ready and willing to be swayed by reason and emotion which equals selfish interest—all they need is something to use for money, and there is evidence that something is going to be done about that.

Organized Labor's Dilemma

"Voluntary" strikes, prospect of "more strikes in 6 months than in 6 years," craft-industry conflict, submerged internal rows at A. F. of L. meeting.

WASHINGTON—Private predictions that there will be more strikes in the next 6 months than there have been in the last 6 years were made freely as 550 delegates to the American Federation of Labor convention headed for home.

That threat is the outstanding feature of the labor situation. It far transcends in importance any of the petty politics played on the convention floor and in the committee rooms.

There are two reasons for the fear. One is the tremendous number of new charters. The Federation has issued 1600 since NRA began its operations.

"The one question members of the new chapter ask is, 'When do we strike?' " one labor leader grimly remarked as he discussed the danger.

That's one side of the picture, as labor leaders see it. Another thing to which they point is that in the various codes a great many differentials between scales of pay have been reduced. For some reason the man who has been getting $10 a week more than the next lower grade is more irritated at a new scale which gives him only $5 more than the lower grade than if his own pay had actually been cut. It's just human nature. That sort of thing has been the cause of more labor troubles, and more unpleasantness in places where there are no labor unions at all, than almost all other grievances put together.

President Roosevelt, General Johnson, and most other members of the Administration dealing with the problem made it very clear to the labor leaders that they either had to adjust this strike situation themselves, or the government might decide to do it for them.

Those were very unpleasant words to the labor leaders. They know just what

Keystone

LABOR'S OLD GUARD—Politically, there has been no "new deal" for organized labor. In the face of broad changes, great opportunities, Samuel Gompers' old machine is still in control of the American Federation of Labor. Still in the executive council are (front row, left to right) Vice-President Wilson, Treasurer Ryan, President Green, Secretary Morrison, Vice-Presidents Duffy and (back row) Weber, Bugniazet, Wharton, Coefield, and Woll in session at the Washington convention.

they mean, and they are very much alarmed indeed over possible consequences. Most of them have had sad experience in trying to use strong-arm methods to hold workers in line when the workers wanted to strike.

This idea of the government forbidding strikes is just a red flag to a bull. Leaders were quietly recalling a happening in 1917, to which everybody concerned was then sworn to secrecy, but which nevertheless was on everybody's tongue at this convention.

President Wilson went up to the Federation convention at Buffalo. He got hold of Sam Gompers and insisted that the convention pass a resolution prohibiting strikes of any kind for the duration of the war. Wilson's earnestness overcame Gompers' natural resistance, and the old labor chief went before his executive council with the proposition.

There was a very brief, stormy session. Every leader there except Gompers was against it. They convinced the "Old Man" that he could not get away with it.

So the thing could not be put over in wartime, and it's not going to be accepted lying down in peace time. Especially when most labor leaders are hopeful of winning more and more concessions as time goes on—if business improves—often by the mere threat.

The promised battle between John L. Lewis and Green for the presidency did not materialize. It was never anything but talk. The real reason is that Green is enormously popular personally, and Lewis anything but.

Lewis' manners have been against him. The tactics that have won him so many fights and so many conferences have alienated other labor leaders when he tried the same strategy on them. Also he is not a mixer. He doesn't drink. He never participates in the poker games the leaders love so much, and he is not famous for his loyalty to his friends and lieutenants. It's all or nothing with Lewis. A man can support him in 99 fights, but if he won't go go along on the 100th be becomes a traitor in Lewis's eyes.

Then, too, there are many labor leaders who do not believe that Lewis has the wisdom for the big job, point to the Jacksonville agreement of 1924 where he won entirely too much for his men's own good.

When that agreement was reached, more than 65% of the soft coal was mined by union men. Within less than a year, more than 65% of the soft coal was being mined by non-union men.

A Pulpit, Not a Soapbox

Green is a lay Baptist preacher. He is a remarkably good mixer although also a non-drinker, and men who get to know him rarely fail to keep on liking him.

Actually he is not a strong man at all. But he has a group of strong men behind him—the members of the executive council. Due to the curious gerrymandering of the convention rolls, the executive council always has a majority.

The executive council is nothing more nor less than the old Sam Gompers machine, and Green is its front. Lewis has never been able to dent the council. Too many men on it do not like him.

Matthew Woll, vice-president of the federation, was also mentioned as a possible candidate against Green. There was never much to that. Woll has his hands full running the unions' life insurance company.

Green played the game at the convention just as Roosevelt and Johnson wanted. (Except as to that business of the government preventing strikes.)

Another very delicate spot was the idea of industrial and vertical unions, as against craft unions. The convention indicated pretty clearly that the federation will cling to the crafts union no matter what pressure is brought.

John P. Frey caused a flurry by a report which was construed by many readers, including some newspaper men, as favoring industrial unions. He denied he meant that, but the metal trades took no chances, going on record against any change in the present craft unions system.

Sidney Hillman, of the clothing workers, as a member of the Labor Committee of NRA has been given unusual power, federation leaders think, for a non-federation man. He played ball with Secretary of Labor Perkins. John Lewis and George L. Berry, of the pressmen's union, cooperated. Which made none of them any more popular with the regulars.

Federation leaders have very little use for Madame Perkins. They regard her primarily as a social worker and uplifter rather than a trade unionist. She is more interested, they think, in rest rooms and that sort of thing than in getting pay raised. They say that her record in New York showed she favored the "outlaw" unions. And they still remember her connection with Florence Kelly and the Consumers' League.

A Lost Leader?

Into this picture comes Edward F. McGrady, assistant secretary of labor. McGrady was a "regular," but the other regulars think since he was loaned to General Johnson by Madame Perkins that he has "sold out" to the Hillman-Lewis-Perkins-Berry combination.

McGrady, it may be recalled, is the man Madame Perkins defied Jim Farley about so publicly, and afterwards accepted so quietly.

As to the really big questions, President Green made it very clear that he is far from satisfied with NRA, despite his playing with Roosevelt and Johnson. He thinks the hours are not short enough, and the wages are too low.

Clear indications from the temper of delegates were that there will be a drive when Congress opens along the line of the Black and Connery bills of last session. It seems sure there will be a real fight for a 30-hour week for all industry.

Strike Lull

Labor front is quieter but important issues are still unsettled and there are some new ones.

STRIKES made more noise in Washington than in the mines and the plants this week. The big conflicts that hit the front pages last week were still getting big headlines, but there was more peace talk in the dispatches and fewer reports of new outbreaks.

Some of the talking was done by the President—to the steel company owners of the embattled "captive" coal mines, to the American Federation of Labor and the country at large. What he had to say, he summed up at the end of his dedication speech at Washington's Gompers Memorial: "This is no time to seek special privilege, undue advantage, or personal gain because of the fact of a crisis."

And General Johnson bluntly told an A. F. of L. audience that NRA had coupled with "organization to the ultimate" the principle that "these vast organizations of industry and of labor . . . must each admit governmental participation and control." To an appeal against strikes, he joined the warning that public opinion would not countenance "this economic sabotage."

As expected, the President himself intervened in the steel-coal dispute over union recognition, intensified by the owners' refusal to take the check-off system along with the rest of those terms accepted by the commercial coal mines with which the steel men had agreed to go along (*BW—Oct7'33*). Without making an indiscreet demand for union recognition, the President threw his influence in the scales with General Johnson's efforts to bring steel's mines in line with the commercial mines "under conditions of work substantially the same in the broadest sense." But, meanwhile, there was a clash between the United Mine Workers and a company union in Western Kentucky where operators claimed that surrender to the U.M.W. would put them at the mercy of their competitors in other sections.

In Detroit, embattled tool and die makers and automobile manufacturers have dug in along the picket lines, made the most of the lull.

Last week, John Carmody, sent by the Wagner Board to mediate the matter, received a tremendous ovation from strikers who felt the Senator was their champion. Employers privately expressed opinion that Carmody was pro-labor, not an impartial mediator.

This week, strikers (who don't have to be so careful what they say) publicly expressed opinion that Carmody's attitude was "not in accord with letter or spirit of NRA . . ." gave "aid and comfort to employers in their effort to evade provisions of the law."

In an impassioned complaint to Washington, the Mechanics Educational Society charged Detroit, Pontiac and Flint employers with violating NIRA, accused motor makers of demanding "yellow dog" contracts of men employed since the strike began.

Employers, on the other hand, accuse strikers of "terrorizing" workers into deserting their jobs. Into the conflict, they introduce the cry of "Radical!" which has not been raised for years. In the employers' opinion, the Educational Society was just what the name says until the reds joined its ranks.

Observers as impartial as can be in Detroit report a general let-down of activity among the strikers. Some 1,800 of the 6,300 out have gone back to work. The enthusiasm of others is beginning to wane. An "amateur" union, there is little of what the comrades across the water call "solidarity." The A. F. of L., regarding the two-bit dues with cynical eye, would not be sorry to see this unprofessional attempt fail so that it might go ahead with its own great work.

Significant strike development of the week was the uprising against codes. Efforts by the Cotton Textile Institute to include in its code rayon fabric finishers employed in cotton mills brought a protesting delegation of workers to the Washington hearing to tell Divisional Administrator Whiteside that such action would mean wage cuts. The delegation was accompanied by a noisier one, representing the striking Paterson silk workers, out in force to tell the world, between verses of the *Internationale,* that their code wages must be revised upwards. In New York 60,000 workers organized in the capably led International Ladies Garment Workers Union were threatening a strike to enforce limitation of contractors allowed to bid on dress contracts offered by jobbers. The issue was an old and troublesome one left unsettled by the dress code for later decision by NRA. Unlimited bidding, said the workers, supported by some employers, meant the perpetuation of the sweatshop.

Minimum or Maximum?

One complaint heard above these code strikes and in some industries where dissatisfaction has stopped short of strikes is giving special concern to NRA. Workers are saying that code minimum wages tend to become maximum wages for unskilled workers and to keep down or reduce wages of skilled groups. Says President Green, "The answer to this is organization." Says President Roosevelt, "There are some employers who think in terms of dollars and cents, instead of in terms of human lives."

But the Labor Board has been strengthened by 4 new members and NRA has ben reorganized to hear such complaints, act on them, revise codes where needed. The strike situation is a little brighter this week than last.

CODE STRIKE—Rayon workers marched to Washington to protest against inclusion of their industry in the cotton textile code. Led by Ann Burlak (right) they were somewhat surprised when Washington cops who had used clubs in the "hunger march" grinned at the Internationale, when Deputy Administrator Whiteside (left) who presided let them speak their minds.

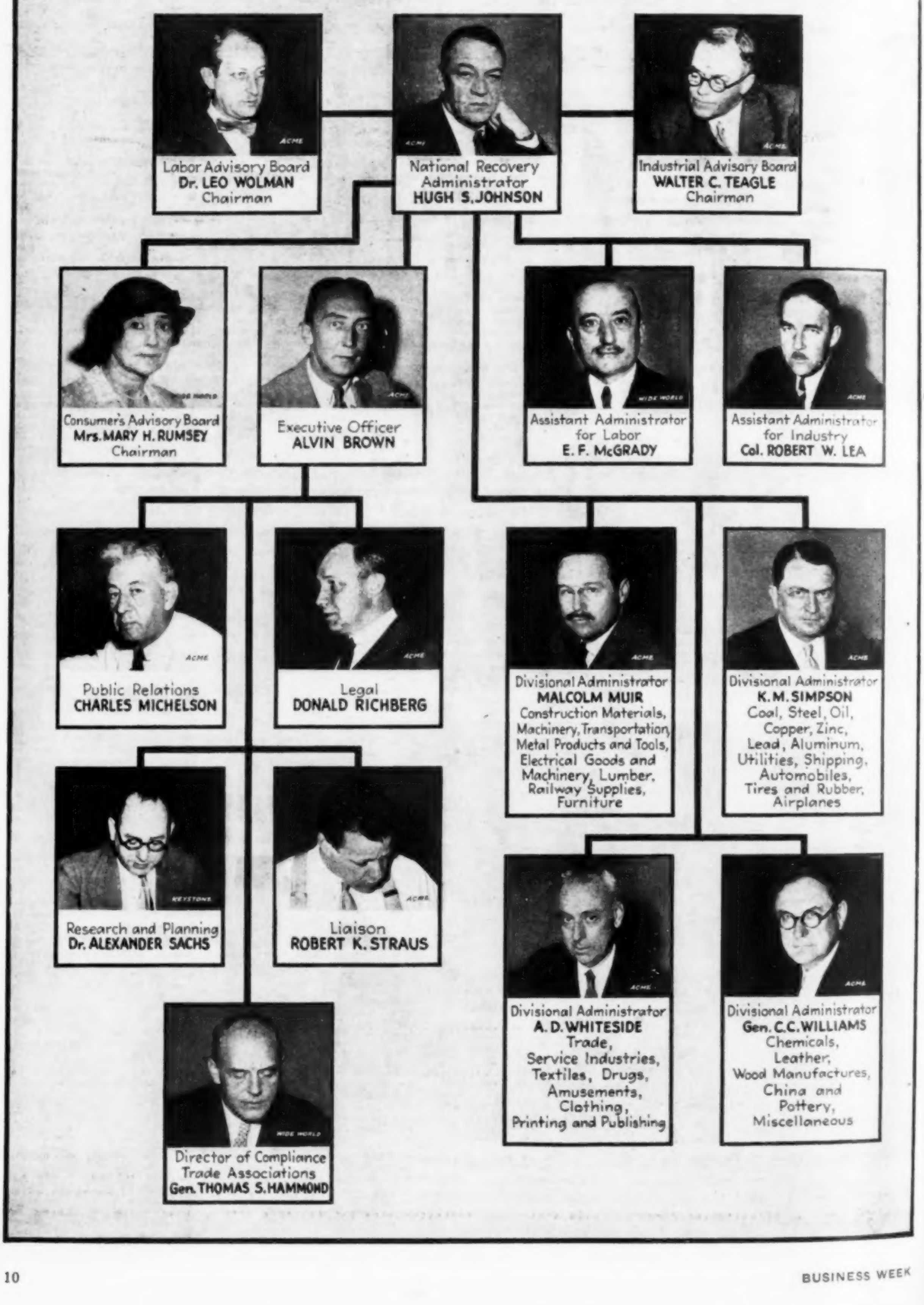
NIRA Scoreboard

Industry codes that have been made effective through the President's signature

(Continued from *Business Week*, September 23, 1933)

No.	*Industry*	*Sponsored by*	*Maximum Hours*	*Minimum Wages*	*Pricing and Production Schedules*	*Other Important Features*
24	Transit	American Transit Association	40-48-54	From $12 in towns under 2,500 to $15 in cities over 500,000.	None.	Provides for tie-in with motor bus industry, and procedure for consideration of specific questions by a joint board.
25	Oil Burner	American Oil Burner Association, Inc.	36 in production; 38 in servicing	45c. an hour. Office employees $15 weekly.	Prohibits sales below cost. Provides for open-price system. Sets maximum trade-in allowance at $25 on certain burners, scrap value specified for others. Specifies minimum financing charges.	Contains explicit rules against numerous unfair practices, against tie-in with suppliers of fuel oil. Limits free service period to 1 year and prescribes minimum service charge of $10 annually. Dealer franchises to be cancelled for violation of code. Contains standard form of guarantee. Establishes a code authority.
26	Linoleum and Felt Base Manufacturing	Linoleum & Felt Base Mfrs. Assn.	40	40c. an hour, men; 35c., women; office employees $14 a week.	None.	Calls for regular reports on hours, wages, volume of production and sales in units and dollars and on finished stocks on hand.
27	Gasoline Pump	Gasoline Pump Manufacturers Assn.	40	40c. an hour and provision to maintain difference by which existing rates exceed minimum.	Prescribes uniform terms of payment and interest charges on unpaid portions. Standard installment terms. Prohibits below-cost sales, consignments, excessive trade-in allowances. Includes the "open price" plan.	Rules against "protection" or blanket orders. Provides for installation of standard cost accounting system, adjustment of contracts.
28	Underwear, etc.	The Underwear Institute	40	$12 a week, South; $13 a week, North. Pay for 40 hours must at least equal previous 48 hour total.	Limits sewing machines to 40 hours a week. Limits knitting machines to 80 hours a week. Includes "open price" plan. Prohibits consignments, below-cost sales.	Provides for reports on labor, wages, number of machines, production; also for labelling of "sub-standard" goods; for adjustment of contracts; for standard terms of sale; rules governing sale of irregulars, imperfects, seconds. Establishes industry committee.
29	Textile Bag	Textile Bag Manufacturers Assn.	40	$12 a week, South; $13 a week, North; prohibits reduction of wages.	Limits machines to 80 hours a week. Prohibits sales at below cost.	Raw materials to be figured at replacement value in determining costs. Prohibits "protection" orders and price guarantees. Provides for a control committee.
30	Artificial Flower and Feather	Artificial Flower & Feather Industries of America	40	$15 a week. Prohibits reductions and provides for readjustment.	Establishes standard terms. No consignments, memo-sales, advertising allowances, assignments.	Home work to be cut to 50% by Dec. 31, '33 and entirely eliminated after May 1, '34.
31	Boot and Shoe	National Boot and Shoe Mfrs. Assn.	40	37½c. an hour, men; 32½c. an hour, women. In towns under 20,000, rate 2½c. less.	Establishes maximum terms. Prohibits below-cost selling.	Provides for reports. Prohibits misbranding and misleading advertising. Requires cost accounting. Prohibits participation in unsanctioned style shows or fairs.
32	Bankers	American Bankers Association	40	Range from $15 a week in cities over 500,000 to $14 in cities 2,500 to 250,000; in towns, 20% wage increase up to $12 a week.	None.	Banks in given areas may establish maximum of banking hours, maximum rate of interest, standard methods of compiling interest. Interest on demand deposits to be eliminated. To establish service charges.
33	Motor Vehicle Retailing	National Automobile Dealers Assn.	44	Range from $15 a week in cities over 500,000 to $14 in cities 2,500 to 250,000; in towns, 20% wage increase up to $13 a week. Guaranteed drawing accounts for salesmen, $10 to $17.50 a week.	Compels sales at established factory prices plus all chargeable extras. Sets up procedure for determining used-car allowances. Prohibits self-financing dealer from cutting financing charges below those of finance companies.	Deals exhaustively with procedure on trade-ins. Establishes each state as a separate administrative district, a state and national administrative committee, and a national control committee. Provides for reports on sales and maintenance of prices.
34	Retail Lumber, Lumber Products, etc.	National Retail Lumber Dealers Assn. and 28 cooperating organizations	40-44	25c. to 35c. an hour, South; 35c. to 45c. an hour, North; 50c. an hour in New York City.	Prohibits sales below cost with replacement value plus reasonable overhead taken as the basis of cost.	Provides for a coordinating and arbitration committee, for procedure to be followed by smaller, cooperating groups, for reports on sales, inventories, operating costs, wages and hours, uniform cost accounting.
35	Saddlery	Saddlery Mfrs. Assn. of the U. S. of A.	40	22½c. an hour, South; 35c. an hour, North; minimum differential in favor of skilled mechanics 15c. an hour.	Prohibits sales below cost; cost determined on basis of raw material plus direct labor cost plus overhead.	Specifies uniform accounting procedure, standard terms of sale and cash discounts, minimum wholesale quantities on certain items. Prohibits consignments. Limits clearance sales to lots representing less than $1,000 original cost and provides for special report on larger lots. Provides for an Industry National Committee.
36	Ice	National Assn. of Ice Industries	40	23c. an hour, South; 32½c. an hour, North. Specifically excepts men working strictly on commission.	Establishes the "open price" plan. Prohibits sales at other than published schedules or at below cost. Requires approval of administrator before new production capacity is established.	Attempts to restrict sales to "normal" markets. Cost is defined to include all operating factors including shrinkage and depreciation. Calls for a standard accounting system. Establishes a code authority.
37	Knitting Machine	Assn. of Knitting, Braiding, and Wire Covering Machine Mfrs.	40	40c. an hour. Equitable adjustment of other wages. Office employees $14 a week.	Industry maximum 80 working hours weekly. To build machines only against orders. Prohibits selling below cost, which must include all expenses, taxes, and depreciation.	Prohibits renting of machines. Requires financing charges to be paid by purchaser. No stocks or bonds of purchasing company to be taken as cash. No old machines taken in part payment. Attempts to outlaw copying of machines or parts of machines without permission.

NRA SETUP



National Recovery Administrator
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Labor Advisory Board
Dr. LEO WOLMAN
Chairman
Industrial Advisory Board
WALTER C. TEAGLE
Chairman
Consumer's Advisory Board
Mrs. MARY H. RUMSEY
Chairman
Executive Officer
ALVIN BROWN
Assistant Administrator for Labor
E. F. McGRADY
Assistant Administrator for Industry
Col. ROBERT W. LEA
Public Relations
CHARLES MICHELSON
Legal
DONALD RICHBERG
Divisional Administrator
MALCOLM MUIR
Construction Materials, Machinery, Transportation, Metal Products and Tools, Electrical Goods and Machinery, Lumber, Railway Supplies, Furniture
Divisional Administrator
K. M. SIMPSON
Coal, Steel, Oil, Copper, Zinc, Lead, Aluminum, Utilities, Shipping, Automobiles, Tires and Rubber, Airplanes
Research and Planning
Dr. ALEXANDER SACHS
Liaison
ROBERT K. STRAUS
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Trade, Service Industries, Textiles, Drugs, Amusements, Clothing, Printing and Publishing
Divisional Administrator
Gen. C. C. WILLIAMS
Chemicals, Leather, Wood Manufactures, China and Pottery, Miscellaneous
Director of Compliance
Trade Associations
Gen. THOMAS S. HAMMOND

This New NRA

Long-term planning and administration are NRA's next big job. Its staff reorganization and changes in code procedure have been made to meet that need.

WASHINGTON—Design took precedence over operation at Recovery Headquarters this week. NRA emerged from its period of "Americanized muddling through" with a tight administrative organization built on the experience of the last 4 months, adapted to the long-term planning it must do in the months —or years—ahead. At the same time, code procedure was itself being codified on an efficient basis.

The new executive set-up which is to complete the coordination of government and industry is charted on the opposite page. Each of these key positions maintains its own staff. Personnel and job have been organized on a functional basis, armed for policy-making and equipped for the effective distribution of responsibilities that have been concentrated in General Johnson.

It is the men who have served through the tough days of the first work and confusion who are taking on the major jobs laid out under the new plan. Four of the deputies become executives in charge of all the deputy organization, the preparing, hearing, revising, and the administering of the codes. American industry is to be divided into 4 grand divisions under them; they will organize and administer their fields as they see fit, coordinate and cooperate directly with each other, call on the executive divisions for personnel to fit into their various and separate self-contained groups. They will set up the code authorities, assist them in administering the codes, do everything within the law to help and direct industry, as though they were General Johnson himself.

The Big 4

These 4 men will be Malcolm Muir, K. M. Simpson, A. D. Whiteside, and General C. C. Williams. All of them have been with NRA since its inception, all but Mr. Muir since before NIRA was signed by the President. They will form the nucleus of the planning board. The other members will be General Johnson, his two assistants, Edward F. McGrady for labor, Colonel Robert W. Lea for industry; Donald R. Richberg, chief counsel; Dr. Alexander Sachs, chief economist; Gen. Thomas S. Hammond, who moves from the directorship of the PRA to take charge of compliance, and temporarily, of the marshalling of trade associations to their part in the new plan; Charles Michelson, public relations chief; Robert K. Straus, in charge of liaison with the government departments, the Federal Trade Commission and other government offices; and the new executive officer of NRA, Alvin Brown, who is in general charge of the coordination of the whole picture.

The arrangement laid out in this setup is recognized in NRA as a logical development of the experience of the past 3 months, and the choice of the tried members of the staff of NRA indicates an encouragingly realistic approach to the problem. The new functional divisions set up are: (1) liaison with government departments, to tie NRA more closely into the federal machinery; (2) complaints and enforcement, which will aid directly in the application of the codes, primarily through industry itself, and will handle the difficult problems of overlapping jurisdiction in codes; (3) trade associations. General Hammond will have the preliminary task of bringing laggard trade organizations up to the NRA cooperation mark—a job for which he is peculiarly fitted by his experience as president of the Illinois Manufacturers Association. When he finds a qualified successor he will devote himself to code enforcement.

Basic Code Trends

Meanwhile, important developments in code procedure are going on at NRA to ensure codes made for industry and not industry made over for codes. There has been a strong trend toward "basic codes," e.g., the big basic code of the fabricated metal products and finishing group (*BW—Sep30'33*), the Chemical Alliance code now in process of revision, the retail codes, the vast blanket of the coal industry, which wanted regional agreements, the growing textile group, accepting the provisions of Code No. 1, of the cotton textile industry.

The basic code trend is taking two directions. One, as illustrated in the fabricated metals heard last week, is to try to get the various industries related to agree on the general code and then set up their supplemental codes under that. The other plan is to get a number of separate codes, get principles of wages, basic trade practices, etc., worked out there, and then take those as precedents on which to build a series of similar industrial codes, after which they can be combined in one. This is what is being done with the capital goods industries, heavy machinery group. Both reach the same end, are adaptable to differing conditions.

Essentially the structure is the basic code, confining itself to employment conditions largely, and to setting up the code authority, and then a series of supplemental codes, accepting the basic code, providing the trade practices that the industry needs, feeding directly into the basic code setup and, most important of all, accepting the code authority there established, and avoiding the expense and confusion of a code authority for each fraction of the industry.

The ideal setup—quite beyond possibility, of course—would be 17 code authorities, heading up the 17 grand divisions of industry which the Bureau of the Census has been using for years. Next to that ideal is as few code authorities as possible. The industry machinery, as set up under the plan of Gen. Thomas S. Hammond, chief compliance officer under the new NRA set-up, would consist of regional or district or divisional committees functioning on their own initiative but headed up under the "code authority."

Quid Pro Quo

The importance to industry of the supplemental code plan consists in its opportunity to get something back, in trade practices made enforceable against chiselers inside and outside the industry, for the labor concessions and the increasing labor costs which are the other side of the NRA ticket, and are being paid in cold cash already. The distinct trend to seek a solution of this right of industry is indicated in the basic supplemental code plan.

Interest in Washington this week concentrated largely on the master code for the food industry, in which NRA and AAA have a common problem. Opening sessions of the public hearing were enlivened by protests from 7 producing groups in the food field which maintained that they had no common stake, refused to be governed "by our customers" and demanded to be left out. The Associated Grocery Manufacturers of America, representing over 10,000 food manufacturers, more than one-third of the food industry's total sales volume, backed the code, was ably supported by organized and unorganized wholesalers and retailers. Official guardians of the consumer interests concentrated their attack on the compulsory 2½% wholesale-7½% retail mark-up, were hoping that the master-food code battle would strengthen their case in connection with the retail code.

Next Week's Codes

Twenty codes got through the mill this week, and a similar list scheduled for next week indicates the present pace of the work. Among those on next week's calendar are: glazed and fancy paper (Oct. 16); knitted outerwear (Oct. 16); distributing of advertising (Oct. 16); drive-it-yourself (Oct. 16); domestic freight forwarding (Oct. 17); retail farm equipment (Oct. 17); gumming trade (Oct. 17); music publishing and distributing (Oct. 17); stock ex-

change firms trade (Oct. 17); excelsior and excelsior products (Oct. 17); gummed and embossed seal (Oct. 18); tag manufacturing (Oct. 19); gas appliances and apparatus (Oct. 19); waterproof paper (Oct. 20); waxed paper (Oct. 21).

Spilled Sugar

Stabilization of sugar by quotas impracticable "at this time" because of Cuban unrest and pressing domestic problems.

AGREEMENT on sugar quotas for producing countries and areas, arrived at after months of negotiations, was held up last Monday by an announcement from Secretary of Agriculture Wallace. He will "take no action now" on the proposal but will redouble efforts to complete the domestic industry's code of fair competition and marketing. New York traders took seriously newspaper reports that the stabilization plan was finally and completely wrecked. Futures broke 10 to 12 points.

Those in the know declare that the quota agreement has not been discarded but has merely been shelved for future revival. Mr. Wallace's words are, "No action on the proposed sugar marketing agreement is practicable at this time." Best opinion is that the matter was put off by the President because of ramifications of the sugar question in a seething international situation. Most important is fear of more disorder in Cuba.

Cubans Wanted More

Out of total allotments of 7 million raw tons for the year, Cuba was allowed 1,700,000 tons, plus annual supplemental reserves. This was acceptable to the present Cuban régime but the populace had hoped for a larger tonnage with better prices. In its present state the citizenry is apt to start shooting at anything it dislikes. American targets might force Mr. Roosevelt into dreaded intervention.

Other considerations gave Mr. Wallace pause. In his statement, he says that the quota proposals and resultant price boosts "emphasize unduly" interests of processors and refiners as against the mass of farmers and consumers. For each ½¢ advance, 42,000 sugar-growing farmers would benefit by $10 millions while the 6 million non-sugar-growing farmers would have to meet increased costs of $14 millions.

A promised bumper crop of beet sugar creates an urgent need for a swift codification for the domestic industry if price upsets are to be avoided. Both cane and beet sugar marketing codes are to be "put through immediately" but without the basic quota agreement. Limitation of production has "not been abandoned."

To Thaw Deposits

Henry Bruere working out plans for a corporation to pay $1 billion to depositors in closed banks.

HURRIED plans are being made for the formation of a new corporation which will release as purchasing power $1 billion at least of the deposits frozen in those banks which have remained closed since the bank holiday of last March. Neither Henry Bruere, president of the Bowery Savings Bank of New York, recently appointed coordinator of all federal credit agencies, nor the Comptroller gave details of the plan. Its outline is that a new corporation, backed by the Reconstruction Finance Corporation will pay cash or its equivalent into closed banks to an amount approximating the liquidating value of the banks' assets. The inference is that, while the cash advanced would represent the present value of assets, the liquidating process would be spread over a long period of time, giving depositors the promise of a much larger return when the affairs of their banks were closed.

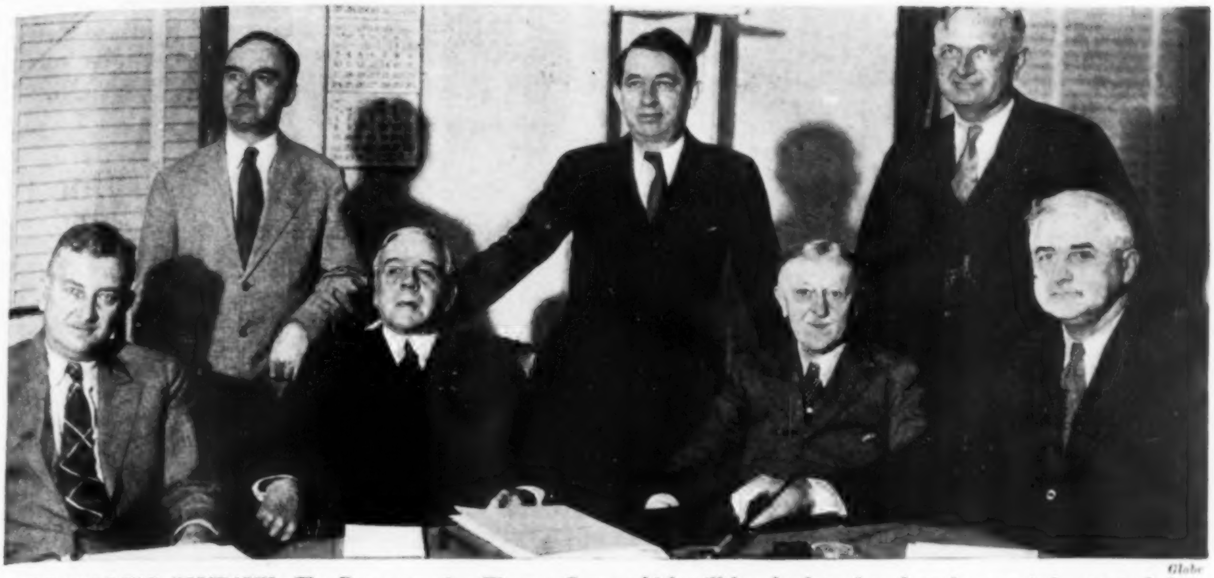
Many of the President's advisers have pointed out for some time that government appropriations spent in this direction would release a far larger proportion of buying power per dollar than any other project thus far undertaken.

Most of the closed banks are small institutions, the majority of them under state supervision. As of May 13, 21,750,000 of 22,500,000 accounts in national banks amounted to $2,500 or less. Among state member banks 7,700,000 accounts out of 8 million were for less than $2,500. These figures suggest that if a billion dollars of government cash be released to depositors in closed banks, most of the money will be paid into little accounts which will be drawn on immediately for living expenses and to pay accumulated debts.

Such a corporation might have other far-reaching effects on the banking structure. With it in existence and prepared to give immediate cash assistance to the depositors of closed banks, there would be an added incentive for the Federal Deposit Insurance Corporation and its examiners to be more exacting in their inspections of banks which will soon come under the national system of deposit insurance. Such an attitude on the part of the examiners would materially raise the level of banks to be admitted under guarantee and strengthen that system against the future.

Business Week

EVEN BULL FIDDLES—Bass viols, too, are now made of aluminum alloys, welded without a screw or a rivet to mar them. Messrs. Koussevitsky and Stokowski have not endorsed them, but the sad-faced men who play them appreciate their resistance to moisture and sturdier construction.



Globe

BANK HOLDING COMPANY—The Reconstruction Finance Corp., which will buy bank preferred stock or capital notes to bolster membership in the Deposit Guarantee Corp., has a meeting. Around the table, John J. Blaine, C. B. Merriam, Secretary Woodin, Jesse Jones, chairman. Standing, Fred H. Taber, Wilson McCarthy, Harvey Couch.

Preferred Bank Stock

RFC offer to buy preferred stock in banks may put a billion dollar cushion under the deposit insurance law and make it safe for some years to come.

WHILE bankers have not changed their opinion that a national system for the guaranty of bank deposits is uneconomic and dangerous, they have discovered a way of guaranteeing the guaranty to the tune of a billion dollars. This seems to relieve their immediate worries and to assure successful operation of the system for several years. It is the bankers' hope that during that period the banking system may be fortified by national methods and public confidence in banking restored to the point where the guaranty law may be repealed and the system liquidated before it follows the failure precedent of all previous experiments in that direction.

The plan of Jesse H. Jones, chairman of the Reconstruction Finance Corp., to put federal money into the banks through the purchase of their preferred stock and capital notes is beginning to appeal to bankers because it will put a billion dollar assurance fund behind the system and to that extent guarantee the solvency and success of the federal deposit issue corporation.

A Gesture of Leadership

Many banks that are overloaded with excess reserves are now inclined to make some gesture of cooperation with Mr. Jones as a precedent to induce the weaker banks to accept federal aid.

The scheme has been haunted thus far by the fear on the part of bankers most in need of help that the published announcement of government assistance would mark them as weak and untrustworthy. New York banks are voting this week and may take leadership in a plan that will permit Mr. Jones to point out to country banks and the public that the strongest banks in the country are increasing their capital account in cooperation with his plan.

A Round Robin

It is not proposed that the New York clearing-house banks sell preferred stock or notes either to the Reconstruction Finance Corp. or to the public. The present plan is to issue capital notes of a large aggregate and sell them to other banks in the clearing house. This will be purely a gesture which does not actually increase the net reserves or the interest charges of any of the banks.

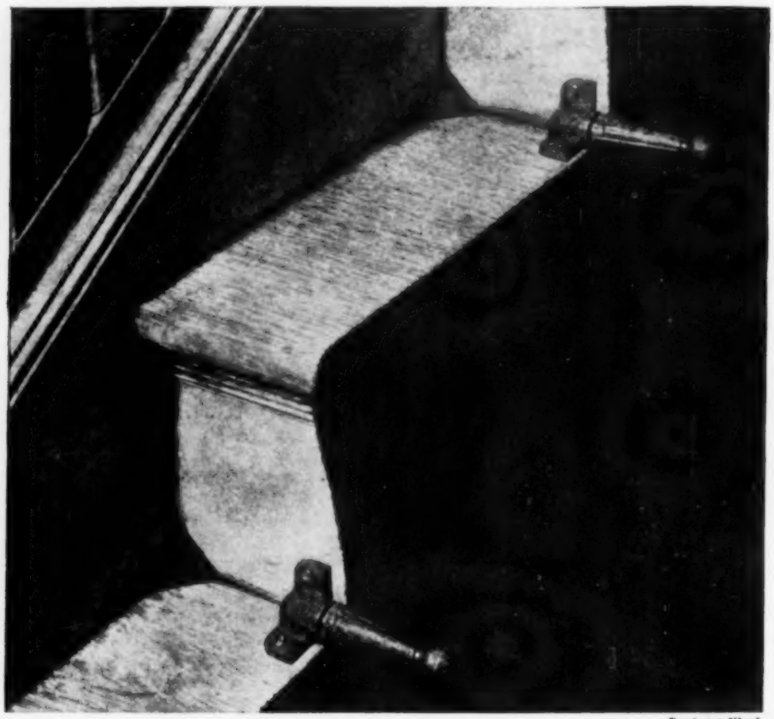
Some New York bankers oppose the plan as not being in good faith. They would rather sell preferred stock or capital notes, even though such a scheme would be useless and costly to their individual interests.

Even the most violent opponents of bank guaranty have reached the conclusion that such new capital will protect the Federal Deposit Insurance Corporation against excessive demands for a long time to come. A billion dollars of capital is a reasonable backlog for from $10 billions to $15 billions of deposits. The insurance of that deposit total is important, particularly when a considerable part of the deposits so insured is in the smaller and weaker banks.

Opposing forces of fact and opinion have confused the policy underlying preparations for initiating national bank deposit guaranty. All banks must be re-examined before they are permitted to come under the permanent protection of the system. Consideration for the soundness of the Federal Deposit Insurance Corp. would suggest that the most rigid rules of examination be applied and only those banks obviously prepared to protect themselves for a long period of years be admitted. On the other hand, all such effort is distinctly deflationary, tending toward the freezing of more credit and the hampering of recovery plans. A billion dollars of government money put into the capital account of banks that are solvent but not well fortified would release stagnant credit and at the same time protect the system.

Encouraging Prospects

Bankers are encouraged by reports from Washington to the effect that national bank examiners are using strict standards of current value in appraising assets to determine eligibility of banks to the guaranty system. The tendency is to accept the guaranty clauses in the Glass-Steagall bill and to take care to make the system sound. For the present the only hope for the repeal of this feature of the bill seems to lie in a long time program of unification and concentration of the business into a system so sound as to need no federal guaranty.



Business Week

BAKELITE FOR STAIRS—Two new moulded products fill old wants: the Banda stair carpet grip slides into position, holds stair carpets securely without damage; the triangular hygienic corner stop fills the corners in floors, window sills, not easily reached by the broom or vacuum cleaner.

Coordinator, Indeed

Eastman makes his new job important, crusading briskly against many hoary railroad practices.

THE railroads apparently are accepting with as much resignation as they can muster Coordinator Eastman's uninterrupted succession of recommendations to rid themselves of practices that have stuck to them like barnacles. The significance he has built up around his anomalous job is astonishing even to those who always expect the unexpected from Eastman.

In last week's communication to the regional coordinating committees, Eastman asserts that there is no sound reason why the railroads should subsidize mines by paying more than the market price for coal. Pointing out that this hoary practice has not prevented demoralization of the coal industry, he suggests that a reduction in freight rates would be of much more help to the mines, and help them meet the competition of oil and other fuels.

Reciprocal buying in return for supposed traffic he condemns as of advantage to none and injury to all, and Eastman declares that the Coordination Act offers the opportunity to break up this practice. The Coordinator is disgusted by reviewing the evidence in an investigation by the I.C.C. into the coal purchasing practices and prices paid by the New Haven, New York Central, Pennsylvania, Baltimore & Ohio, Nickel Plate, Wabash, Chesapeake & Ohio, Norfolk & Western, Virginian, Southern, Burlington, Missouri Pacific, and numerous other roads.

Railroads are urged to develop standard performance specifications for coal and standard inspection and test methods, as distinguished from mere B.t.u. specifications and tests to measure performance.

Eastman also calls for action on standardization of cars, lumber, rails, and possibly on rail joints if patent complications can be cleared up.

Growler

Beer in sealed cans for retail distribution is coming.

RUSHING the can will soon refer to more than a tin pail; canned beer is definitely on the way. American Can Co., according to H. W. Phelps, president, has developed a suitable can after several years of experimental work.

In effect a miniature beer keg, the new container is lined like its big brothers. A special beer can opener is necessary (you know what beer does, it's not like opening a can of beans).

One effect of its adoption may be increased consumption. There's a moral hazard to opening a succession of 12-ounce bottles; cans could be made to hold a pitcher-full which, once opened, would thereupon be consumed.

Construction Boost

NRA considers brake on wages to give building early start.

AGREE to postpone wage increases and reduction of hours in the construction industry and in the materials industries, for one year, with the firm announcement that on Sept. 1, 1934, wages go up 20% and hours are cut to 40 a week, with the further proviso that on Mar. 1, 1935, wages go up another 20% and hours are cut to 30—and you have the makings of an early revival of the very sick construction industry. So reasons the dazzling plan suggested by Malcolm Pirnie, deputy administrator under Malcolm Muir for the construction industry, and Roy Wentzlick of St. Louis, construction economist to Deputy Pirnie.

The plan is a working-out of a clear conception of the job of NRA as setting the stage for the financial and governmental push (through the Home Loan Board, and similar agencies) to practical industrial recovery. It does not contemplate the reduction of wages at all, but keeping them at present scales or at a good-living level where anything below that now prevails. It only postpones the increase in costs for one year and holds out this bait to private capital to draw it into the construction field. The plan includes the construction materials and machinery codes as well as those of the construction industries proper. Literally, it seeks to stabilize prices for one year, then jump them radically twice, on a stairway plan that would put code-control into the price factor. It is a part of the NRA job that was certainly there in the original conceptions, but which has largely been lost sight of in the scramble of code production and labor markup.

The plan, awaiting high approval and labor support before being incorporated into the codes, would not merely stabilize costs but have a direct effect on building. Instead of a sharp upturn which Mr. Wentzlick estimates will come in construction about 1936, but not before, it should start an immediate pick-up in anticipation of the frankly promised rises in costs. It would take from the future, of course, but what it would take would be the top of the terrific spurt which Mr. Wentzlick's charts show is due through 1936-39 and which would, by its very height, be one of the contributants to the next depression, if history is allowed to repeat itself. Which catastrophe this plan seeks to avoid.

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More Pressure on Public Works

PWA shows progress after Ickes threatens states and mayors prod Ickes. Highway contracts let.

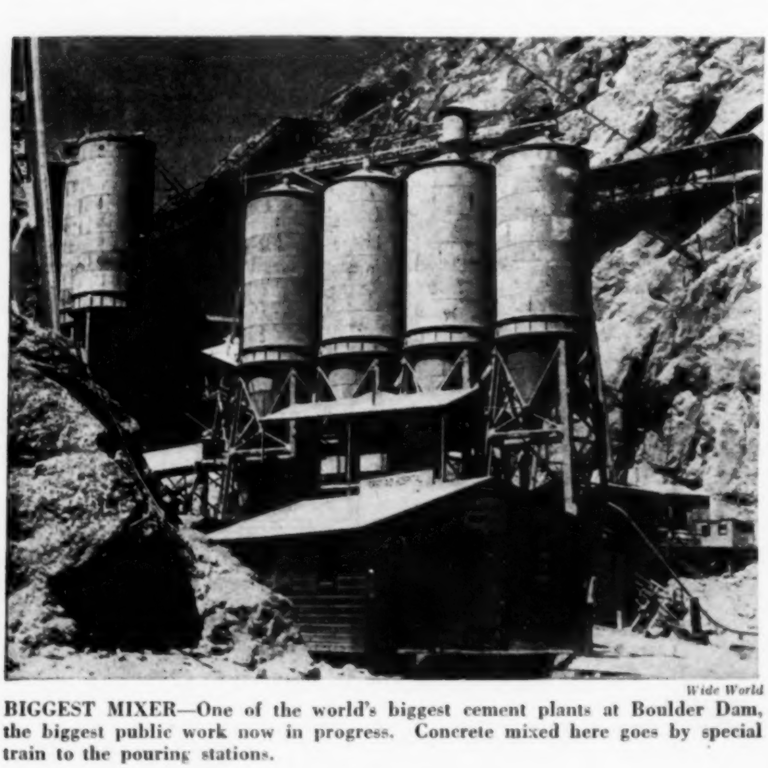
RECENT warnings to the states from Secretary Ickes that the money allotted by the PWA to the states for road work would be withdrawn if they did not carry forward their construction programs have brought results. South Carolina, Louisiana, Arkansas, Oklahoma, Michigan, Mississippi, and Missouri have since let contracts and Illinois is advertising for bids. Alabama, Connecticut, Florida, Georgia, Illinois, Indiana, Kentucky, New Jersey, Pennsylvania, and Tennessee are now the only states where actual construction has not yet started. The question of whether the PWA could legally withdraw state road allotments is still in the hands of counsel and may stay there since the warning has worked.

Washington now reports that allotments of federal projects, as of Oct. 1, amount to \$394 millions for highways and \$218¾ millions for other construction. Non-federal construction includes: state and municipal, \$207 millions; housing, \$37½ millions; private corporations, \$1 millon. The total runs to more than \$858 millions.

So far, PWA highway projects have been approved to the total of a little more than \$128 millions. About \$70 millions of contracts have been awarded on 1,165 projects. This work embraces 2,033 highway projects, affecting 1,198 state and 475 municipal highway systems and 243 secondary, 30 national park, and 5 public land roads. Approved projects should employ 164,000 and projects under contract 90,000.

Texas has secured the largest highway appropriation, \$24¼ millions, with New York close behind at \$22½ millions and Pennsylvania third at \$18¾ millions. Oregon has \$26½ millions, the largest allotment for other construction, with Wyoming second at \$23½ millions and Arizona third at \$23¼ millions. In addition to all this, \$794 millions have been allocated to federal construction not distributed by states, of which \$238 millions for naval construction is the largest, and \$100 millions for farm credit administration, \$71 millions for the Civilian Conservation Corps, \$70 millions for rivers and harbors, \$50 millions for forest, park, and public land roads are next in size. The grand total of allotments to date is \$1,653½ millions. Half the PWA appropriation of \$3,300 millions has, therefore, now been allocated.

Secretary Ickes has thanked the committee of mayors for their recent recommendations saying that they are "entirely feasible and just what we have been breaking our backs to do anyway." The Conference of Mayors—late in September—expressed alarm that the public works program was "enmeshed in red tape due to the systems of checks and balances and safeguards" in Washington. Ickes countered with a "sporting proposition" that they send a committee to Washington to study the system and make recommendations. They did. The mayors of New Orleans, Milwaukee, and Boston spent a day at PWA headquarters and made 7 suggestions to (1) increase personnel; (2) speed up state boards; (3) simplify application forms; (4) hold regional meetings to interpret the Public Works Act to the public; (5) make funds immediately available on approval of projects; (6) furnish applicants with lists of recognized bond counsel; and (7) stimulate state legislation to remove statutory restrictions. The mayors put their finger on it. So did the President, apparently. PWA has speeded up and results are coming.



Wide World

BIGGEST MIXER—One of the world's biggest cement plants at Boulder Dam, the biggest public work now in progress. Concrete mixed here goes by special train to the pouring stations.

Part-Time Living

Public works money will be used to demonstrate ways of "raising your own living" as unemployment palliative.

FIFTEEN recommendations have been made by the National Advisory Committee on Subsistence Housing, established under the Recovery Act to explore the possibilities of moving unemployed city workers to smaller communities where they may partially support themselves upon small plots of land suitable for gardens and poultry. The committee says that the fund provided should be used for setting up demonstration projects which shall point the way to a program of permanent character. These demonstration projects should be located with reference to the principal problem areas and not by allocation of funds on the basis of states. There should be a maximum of local initiative and responsibility assisted with adequate federal supervision. Projects should be administered through local non-profit or limited dividend corporations. Federal funds should be loaned at 3% amortized over 30 years, plots to be sold or leased to "homesteaders." Loans should be made for the purchase of production equipment, machinery, and livestock.

Meanwhile Attorney-General Cummings has not ruled on whether the government may purchase land outright for subsistence households or may only assist others to buy. Secretary Ickes states that it may be necessary to set up a corporation or trusteeship to administer this part of the public works program, but that the \$25 millions which the law provides will be devoted to the experiment.

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"Practically all of the work of the Accounting Department hinges around the prompt, accurate filling and billing of orders. If orders are delayed the entire accounting procedure is delayed. No wonder I favor Ditto. Since we've had this marvelously flexible system, delays have been unheard of. Billing is speeded up almost three days, accounting department copies reach us the same day orders are received, customer's and salesmen's copies are mailed immediately, and mistakes just do not occur. If, for no other reason than these, Ditto is the finest investment we've made in years."

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Acme

AND IN THIS RING—The Senate's Wall St. Circus, which has included giants of finance and midgets on its bill, starts up again with Dillon, Read being put through its paces by Ringmaster Pecora. Left to right, Mr. Pecora; Warren Leslie, counsel for Dillon, Read; Clarence Dillon.

Industry's New Sales Job

Washington will ease the Securities Act strictures on advertising; even so, industry hereafter must continuously sell itself to the public.

CORPORATE and financial advertising and publicity this week became a matter of immediate concern to the Administration in its efforts to discover devices by which the capital urgently needed by business can be provided under the terms of the Securities Act. Regulations covering this phase of the Federal Trade Commission's supervision of the investment business are being prepared, are to be promulgated within a few days. It is said that these regulations will recognize that advertising is essential in the distribution of securities and that no advertisement can contain the thousands of words included in a prospectus.

Bankers are not too hopeful. They do not expect any definite conflict between the regulations and the spirit of the law and doubt that any mere regulation can remove the more serious hazards of publicity under terms of the act.

In the meantime, executives of the leading investment houses are doing their best to conform to the Presidential request that they use their best ingenuity in trying to discover some way of making the law workable. One plan now being explored painstakingly contemplates the organization of a group of analysts and statisticians that would prepare general corporate and industrial advertising and publicity on its own responsibility. Under a strict interpretation of the law no advertising or publicity about an issue of securities may be circulated until the sanction of the Federal Trade Commission has been given. Furthermore, no publicity about a corporation or an industry obviously intended to promote or prepare the way for a security issue may be used, even though the issue itself is not mentioned.

Another plan less seriously considered undertakes the organization of a central publicity bureau to serve a large number of underwriters and dealers, with insurance company indemnification against liability. Some of the larger insurance companies have agreed to undertake such a risk, provided their representatives are permitted to pass upon all of the acts covered by the insurance.

Business is becoming convinced that it must appeal to the public for understanding and support in the solution of many of its problems, one of the most important and immediate being that of finance. Bankers as yet see no way of providing the billions of dollars of new capital needed by industry annually because of punitive provisions in the Securities Act. As the situation now appears, underwriting is at an end. All that bankers can do is to try to peddle securities under severe restrictions as to the advertising and publicity that may attend the effort. Corporations are discovering that they must sell their business to the public and that investors must be prepared long in advance to accept their security offerings.

The Utilities, For Example

During the last 15 years the public utilities of this country have given the best and the worst examples of how to sell a business to the public and of the benefits and penalties that may result. Following the World War, public utility credit was at its lowest ebb. Operating companies almost everywhere were the football of local politics, subject to political demagogy and often forced to survive by bribery. Credit was so bad that stationers were delivering lead pencils C.O.D. to the Peoples Gas, Light & Coke Co. of Chicago, one of the great operating companies with a long record of public service and dividend payments.

A few far-seeing leaders devised the plan of going direct to the public with all of their troubles. Within a few years the credit of the utilities was higher than that of almost any other industry. Public support was almost unanimous. It was the finest job of business selling ever done in this country.

Lost Opportunity

Most of the benefits of that accomplishment were destroyed later when a few of the same leaders who had devised the scheme proceeded to debauch it either to feed delusions of grandeur or to protect themselves against predatory groups which threatened control of properties.

The utilities are not in as bad a state as they were in 1920, but nearly so. What a few of them did by way of tampering with school books, subsidizing professors and loading their customers with doubtful investment trust and holding company securities accounts for the public support given to a country-wide movement for reduced utility rates, and accounts also for a forceful movement in the direction of

PASS the "BUCK"

WHY is the relay the fastest race that's run? Because the distance is broken among several runners. Each man can make faster time than if he had the whole distance to run alone.

It's the same with running a business. Seldom can the same sales plan, the same merchandising idea, *the same package,* carry a product forward at top speed throughout its entire history. Conditions change. So do consumers' tastes and desires. Just as spent runners pass the baton or "buck" to fresh runners—so, periodically, a vigorous new package must take the place of one which has run its span.

How long have you had your present package? Is it time to change? Is there a new one—or some improvement on your old one—which would do a better selling job? The new technique of packaging is too important to ignore. You owe it to your business and its future to find out what the developments—and the opportunities—are.

From the American Can Company, you can get the complete, current picture of today's packaging opportunities—and of what sales-producing packaging ideas are available for your product. The same vision, resourcefulness, and skill which made possible so much of modern packaging are available to you without cost in making your own package more productive. We invite you to use Canco knowledge, counsel and help. We think you will find it profitable.

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government ownership and operation of utilities.

A recent news reel issue showed a couple of hundred feet of General Johnson and NRA activities. This was followed by a fleeting shot of Henry Ford hurrying out of focus. The applause which greeted Mr. Ford indicated that the public is not entirely out of sympathy with his attitude toward NRA.

Mr. Ford is an unusual personality. His experience with public opinion is a dangerous yardstick. He has always appealed to the imagination. Still the cheering and marching for NRA seems, as yet, to have generated little if any public resentment against Mr. Ford. Who can say whether and to what extent that series of personal letters by which Mr. Ford has been selling his business recently to the readers of hundreds of newspapers and magazines has had a direct effect on current opinion? At least it is a perfect example of selling a business. Mr. Ford speaks the language of the street without condescension. He concedes intelligence to his audience and discusses simple problems in which they have a vital interest.

A Stitch in Time

In every favorable money market situation industry has always had a ready market for capital. Management concerned itself only with making a favorable contract with underwriters. Now the job of selling an industry and a corporation to the potential investor is the responsibility of business and not of banking. If business waits until the need of new capital has arisen and negotiations with its bankers have begun, the publication of the most innocuous intelligence about a corporation, even though no security is mentioned, may become subject to the limitations of the Securities Act.

There may be some amendment of those clauses of the Securities Act which impose individual liability. Any concession in this direction probably will be the minimum necessary to make the law workable. As to the law in most of its manifestations, business may as well prepare to comply. The first step is to consult able bankers and competent public policy counsel.

The latter are not to be confused with space grabbers and press fixers who have sprung up over night like a fungus growth on the business structure since the New Deal was announced.

After the Fair

Chicago thinks it may pay to keep "A Century" alive as a resort.

OUT of A Century of Progress, stretched along the shores of Lake Michigan at Chicago, may grow an international playground. Although the original plan to begin demolition of the World's Fair immediately following its closing on Oct. 31 is going ahead, a movement to retain for the Middle West some of the prestige it has gained as a convention and vacation center is gathering in force. The question of dollars may swing the balance.

More than 10,000,000 visitors are estimated to have been attracted to Chicago this summer as a result of A Century of Progress. The figure will be increased materially before taps are sounded at the exposition on Oct. 31. Their contribution to the pocketbooks of the Middle West is estimated at between \$125 millions and \$150 millions, not to mention the huge sums spent in transportation. Official figures show that \$26,460,565 was spent at the exposition itself in the first 4 months of its operation. When the gates are closed to the public on Oct. 31, receipts are expected to total between \$35 millions and \$40 millions.

Chicago asks: "Why not an annual exposition, such as the Leipzig Fair, the Toronto Exposition, the British Industries Fair and others?"

Then, too, there is the question of an economic loss which must result from demolition of the buildings erected upon the grounds. A conservative estimate places their cost at well over \$25 millions. Landscaping cost \$2 millions, and ground development another \$2.5 millions. Only a small salvage would result from demolition.

Accordingly, the idea of an international playground is advanced. Civic, business, and agricultural leaders are sponsoring the movement. The exposition site, it is felt, can with only a comparatively modest outlay be transformed into a pleasure resort. Many of the existing structures could be retained.

Hay-Burners

Activity in markets shows horse and mule are going back to corn belt farms.

THE horse and the mule are going back to the farm. The agricultural implement manufacturer has suspected it; the Horse Association of America proves it.

Horses and mules received at public stockyards in the first 8 months of this year totaled 221,142, which was 49,555, or approximately 29%, more than in the corresponding period of 1932.

That the farmer is desirous of getting back into the production of horses and mules is proved by his purchases of good 2- and 3-year old fillies, which are bringing from \$10 to \$15 more per head than geldings of the same age, shape, and quality. The corn belt is the big purchaser.

Wide Reading

HIGH FINANCE: MASTER OR SERVANT. A. A. Berle, Jr. *Yale Review*, October. An important member of Roosevelt's "brain trust" shows how our great investment bankers gained supreme control over long-term finance, and how that system may yet be revolutionized by the exigencies of these lean years.

CONSUMERS AND THE CODES. James Peter Warbosse. *Nation*, Oct. 4. Significant facts concerning consumer cooperatives in this country as brought out under the NRA.

"SURPASS AMERICA!" Alfred M. Wasbauer. *American Machinist*, Sept. 27. Soviet Russia is setting out to surpass American achievements in mass manufacturing. She is confident that her enormous mass market will absorb the output of mass production on an undreamed of scale.

ONE HUNDRED MILLION PEASANTS. Louis Adamic. *New Republic*, Sept. 13. What is going to happen politically in the Balkans? Adamic thinks in 20 years most of Eastern Europe and the Balkans will be part of the U. S. S. R., and "much sooner if Western capitalist powers do not avoid a new world war in that period."

DO WE WANT RUSSIA'S TRADE? Symposium including articles by P. W. Wilson, William C. White, and Harrison H. Wheaton. *Review of Reviews*, September. Estimate of trade possibilities.

"BUT BUSINESS IS ALWAYS GOOD." *Fortune*, September. Story of United Shoe Machinery Corp. of Boston, born with a 95% monopoly of its field.

RAYON, A SURVEY OF THE INDUSTRY. *Textile World*, September. Ninth annual rayon year book issue. Data on capacity, output, prices, problems under the code.

PROSPERITY THROUGH SCARCITY; STATUS OF THE WORKERS UNDER THE NRA. Mary Van Kleeck. *Common Sense*, September. The member who resigned from the President's Advisory Council of the U. S. Labor Service because she was not in sympathy with NRA labor plans tells her story.

TURNING THE CORNER. Bernhard Ostrolenk. *Current History*, October. Recovery is obviously on the way but it still faces its crucial test. Concrete gains; future demands.

REPORTS—SURVEYS

NRA—A BIBLIOGRAPHY. American Library Association, Chicago, 78 pp., 75¢. A very complete and carefully indexed bibliography of information on the new deal. Lists magazines, pamphlets, special reports.

CENSUS OF HOTELS, 1930. Bureau of the Census, Department of Commerce, Washington, 107 pp., 20¢. First survey of hotels in the United States. By states, and by large cities. Gives number, plan of operation, type of occupancy (transient or permanent), number of employees (by sex), dining-room capacity, total salaries and wages in 1929, details of ownership.

UNEMPLOYMENT RELIEF LEGISLATION—FEDERAL AND STATE, 1933. Public Administration Service, Chicago, 19 pp., 25¢. A summary of the nation's efforts to aid the jobless.

Do You Need to Cut Your ~~Prices~~ Costs?

MACHINES by the thousands are burdening costs and stealing profits because "Hooey"★ dictated inefficient bearing specifications.

Today, the necessity for lower costs demands that SOUND ENGINEERING . . . not trick sales appeal . . . must govern selection of the bearing for each application.

There is a place for every type of bearing. For over 25 years Johnson Bronze has consistently advocated and recommended *sleeve* type bearings for those applications, ONLY, where there is a SOUND ENGINEERING reason.

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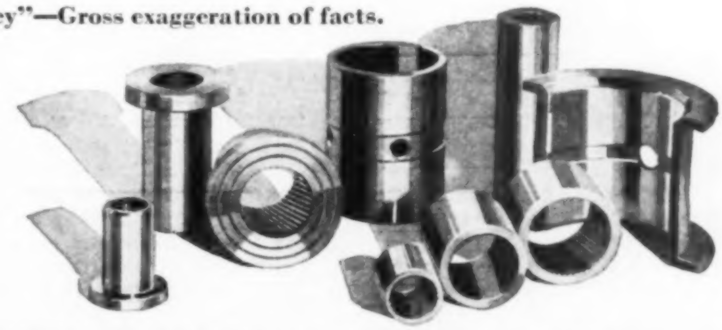

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- **Sheet Bronze Graphited Bushings**
- **Steel Backed Babbitt Lined Bearings**
- **Car Brasses**
- **Miscellaneous Bronze and Brass Castings**

Congress—Next Session

Senate and House probably will be as docile as before unless Pennsylvania election returns indicate waning enthusiasm for Roosevelt.

WASHINGTON—In the Pennsylvania counties of Bucks and Lehigh Nov. 7 will come a test of President Roosevelt's hold on the country which will have a profound effect on the docility—or insurgency—of the session of Congress to meet in January.

With astonishingly few changes, the Congress to meet then is the same as that which adjourned a few months ago, after a record of submission to the will of the Chief Executive never equaled in peace time in the country's history. It far exceeded in docility, for example, the first Woodrow Wilson Congress. For while that body did put through the bills insisted upon by Mr. Wilson, it changed them to its heart's content. Whereas the present Congress, in its extra session, hesitated to insert a comma in the Brain Trust's program.

Farley Strategy

During the closing months of the special session, senators and House members were held in line by the patronage whip. The idea was freely spread by the patronage czar, James A. Farley, that congressmen who did the President's bidding would be heard on jobs, and those who did not would not.

It was not until after Congress adjourned that Farley made the F.R.B.C. statement—that only men who had been "For Roosevelt Before Chicago" would get any consideration on appointments. This left out of the picture the regular organization in such states as Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Maryland, Ohio, Indiana.

All of which boils down to the fact that there are a great many more soreheads in the House and Senate now than at the time of the adjournment. And the soreheads are more worked up now than they were. Then, most of them thought they were just being held off. Now many of them feel that they have been kicked in the face.

The situation sizzles with potential trouble for the President.

Can Make Trouble

A few insurgent Democrats, with a rather bewildered and purposeless Republican minority, can produce plenty of grief for him, not only in the way of refusing additional legislation but, for example, by starting congressional investigations of government agencies—such as the NRA.

The most serious threat seems to be that inflation may be forced on the President before he is ready for it, or in a form which he doesn't like. The threat has been brandished in newspaper interviews by Pat Harrison (Miss.). Also by Thomas, of Oklahoma. Also by the silver senators.

Yet all the President needs to stop any legislation he does not want is a strong minority. He has about all the power he can possibly use.

If he wants any additional legislation no one can guess at the moment what it would be. Of course the President will want the appropriation bills shaped according to his desires. Congress can snipe at particular officials or particular activities dear to the Administration's heart. It can cut off appropriations for this, or insist on granting money for that. As to the former the President would be helpless. As to the latter he can always forget to spend the money no matter how emphatic may have been the language of the appropriation bill.

But everything depends on what individual senators and members of the House think about Roosevelt's hold on the people. If they think that hold is still very strong, they will do what the President wants. If they think it is slipping, they will insurge all over the lot.

They will not be brave about it. They will not take chances. They will have to see clearly that public feeling has changed. That is the history of parliamentary psychology.

At the present moment, belief here is that the President still retains his hold on the country to an amazing degree. Belief here, and not what may be the fact, it should be noted, is what counts.

But members of House and Senate are particularly susceptible to election figures. Hence the importance of the little contest in these two Pennsylvania counties.

Henry Watson, a popular figure in the House for 20 years, died recently. In the last election he won in a new district, including his old county of Bucks and the additional county of Lehigh, which had generally been Democratic. He received 40,726 votes to 37,490 for his Democratic opponent, Representative Lichtenwalner, who until then had represented the district of which Lehigh had been a part.

It was an unusually interesting contest. Both men were sitting congressmen. Each had his own county behind him. Even in 1932's Democratic tidal wave, the Republicans of Bucks carried the day for Watson, by a margin of 3,236.

The present election will revolve, Washington is informed, around President Roosevelt. Voters will be asked to "stand by the President." And they will be told that the eyes of the country are upon them. That may be an exaggeration, but it is true that every member of the House and Senate will be watching the returns.

Insurgents' Weather Gauge

If that Republican majority of 3,236 is whittled down, even a little—good night to insurgency. Even Roosevelt will be flabbergasted at the docile obedience he will find in Congress from January on. If the Republican majority is sharply increased, just watch the soreheads insurge! They will figure it is a sure sign that Roosevelt's hold on the electorate is slipping.

There will be keen interest also in the Socialist vote, which in the 1932 election was 2,796—about 3% of the total. That will be significant in a totally different direction. If it increases it may encourage the radicals who want to go further than Roosevelt.

In normal years there would not be such extraordinary interest in this election. But it so happens that no other congressional death has resulted in a

International News

LAST SESSION'S LAWS—Col. Edwin Halsey, Secretary of the Senate, poses with the 10,350,000 words emitted by the special session. With so much accomplished, the next session of the law factory is bound to be less productive.

real contest. Garrett and Briggs of Texas, Brand of Georgia, Kemp of Louisiana, and Almon of Alabama have died, while Ragon of Arkansas resigned. All Solid South where special elections spell nothing whatever of national significance.

Arizona elected a member of the House Oct. 3, but there was no interest in the result, which Republican leaders admit privately was a foregone conclusion. Mrs. Isabella Greenway, Democratic candidate, national committeewoman and a close friend of the Roosevelt family, will add an interesting touch to Washington society and politics.

As for the Republican strategy looking toward the next session, at the moment there isn't any. What might be interpreted as a big Republican gain in this Pennsylvania election could easily buck them up and result in a united front against Roosevelt. But right now there are almost as many campaign plans as there are Republican members. Most of them could be summed up as a policy of masterly inactivity.

In a nutshell, many Republicans distrust NRA, the codes, the farm recovery administration, in fact the whole works —but—they have no substitute program. Nor is there any on the fire.

Bus Meals

Oklahoma line increases traffic and shortens stops by arranging for lower-price meals.

Bus operators have 2 unsolved problems in providing for meals and rest stops satisfactory to all patrons. The Golden Eagle Lines operating out of Tulsa is undertaking to solve one of them with meal tickets, sold to passengers for 75¢ and good for a 30¢ breakfast, 40¢ lunch and a 50¢ dinner or a total of $1.20 in food. These are good only at the time of the scheduled meal stops of the carrier. Single-meal tickets are not sold. The bus company has arranged with restaurants along the line to honor these tickets and collect from the company. To secure these extra customers, delivered in a body, at stated times, the restaurants make a somewhat reduced price and the bus line pays the difference. The customer is securing a discount on his food purchases of about 37%.

One-third of the passengers using the Golden Eagle buses are now buying meal tickets and the plan appears to be attracting considerable repeat business. The plan also has the advantage of holding passengers together at meal stops and saving time in reloading. To insure good food and service the Golden Eagle has employed a man experienced in catering to ride its lines and exercise a semi-supervision over these restaurants.

A SOUND BUSINESS REASON

In any group of employees, death takes its periodical toll.

The employer cannot afford to have destitution in the homes of these former employees.

But he can readily afford to provide a substantial sum through Group Insurance on the contributory plan. That is the essential reason for its popularity.

INQUIRIES ARE INVITED
from Employers of uninsured groups

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INSURANCE COMPANY OF AMERICA
EDWARD D. DUFFIELD, President
HOME OFFICE, NEWARK, N. J.

Farm Relief for Ole Swanson

A case study clears the way for those who are lost in the maze of government credit agencies designed to help the farmer.

OLE SWANSON, who lives on a quarter section in Yellow Medicine County, Minn., is trying to keep informed on the reports coming from Washington which tell him that millions and possibly billions of dollars are being spent to help the farmer. Frankly, he is bewildered. He wants to know just how all this activity in Washington can reach him. Mr. Morgenthau said that any farmer who is about to lose a farm by foreclosure may notify him by telegraph collect and he will do what he can to stop foreclosure. This is definite enough, but how can Ole Swanson receive help before he is confronted with the emergency of foreclosure?

Let us assume that Ole has a $10,000 first mortgage on this farm, and in addition, he is indebted to his bankers, his implement dealer, his feed dealer, and his tax collectors, to an amount of about $5,000. His first mortgage is at the rate of 6% and the $5,000 notes bear a rate of 8%. Both long and short term creditors are pressing for funds. What can Ole do?

The first thing he should do is to get in touch with the Federal Land Bank of St. Paul and apply for refinancing of his mortgage. If the $10,000 is a conservative mortgage it is possible that the Federal Land Bank will exchange the mortgage for bonds or pay it off and grant him a new 4½% mortgage. In other words, the immediate possibility is that his $600 interest will be reduced to $450. To get the benefit of this or any new refinancing program, he would be asked to join the local farm loan association and take out stock for 5% of the amount of his mortgage loan.

And, Maybe, Some Margin

Let us assume that the $10,000 mortgage on Ole's farm is extraordinarily low, that the normal appraisal of the value of the land shows that a mortgage even higher than $10,000 is justified. In that case Ole may be able to get a $12,000 loan from the Federal Farm Banks, and apply the extra $2,000 to clear off portions of his short-term indebtedness.

Very possibly, however, the present mortgage is not justified by any sound principle of finance. The farm could not be sold for $10,000 now or at any time, and on a forced sale right now might not bring more than $6,000 or $7,000. After the appraiser had explained this situation to Ole, he would also tell him that the Federal Land Banks would help him to adjust his debts with his mortgage holders. If the mortgage holders were willing to discount the mortgage sufficiently, accept cash or Federal Land Bank bonds to cover 50% of the normal value of the land with 20% of the value of improvements, the Federal Land Banks would help Ole to refinance his indebtedness on a new basis, and the creditor, instead of holding a mortgage which is frozen, on which Ole can pay no interest, and which is inadequately secured, would exchange that mortgage either for cash or for negotiable Land Bank bonds. His creditors might find this just as advantageous as Ole.

Short-Term Money

As to his short-term debts outstanding, $5,000, Ole can get a second loan through the Federal Land Banks acting as agents for the Land Bank Commissioner in Washington, an officer of the Farm Credit Administration. This loan would be a second mortgage on the land with a chattel mortgage on his property. The loan cannot be for more than $5,000, and three-fourths of the normal-year value of the farm property must be put up as security. The rate of interest will be 5%.

Here again, it may be possible to discount these short-term loans on the basis of the new price level. It is possible that an appraiser representing the Land Bank commissioner will tell Ole that he can get loans, say of $4,000, to cover his $5,000 indebtedness, if he can get his creditors to write down the loan pro rata.

Under normal conditions, then, Ole can be refinanced so that his interest, which was $600 on the first mortgage and $400 on his short-term paper, totaling $1,000, can be reduced to $450 on the first mortgage and say $200 on the second morgage, totaling $650. He would have to begin amortizing his emergency second mortgage immediately, but need pay no amortization on the first mortgage for 5 years.

A Production Stake

Ole is now definitely freed of the fear that he may lose his farm because of excessive indebtedness. However, he needs money with which to start operations. He wants to buy feed or cattle, fertilizer, seed, and to hire men for planting or harvesting. Ordinarily he makes loans for all these purposes to be repaid from the crop. But credit facilities have dried up in his town and because of his long period of hard luck whereby he has been unable to repay loans, he may be unable now to obtain money with which to start operations on his farm even if credit facilities are available.

Again the government comes to his help, this time through the processes of the production credit association which may be organized in any community by 10 farmers. These associations will be a part of the Production Credit Corp., which reaches his district

Keystone

JUST IN CASE—Farmers are bringing in apples for cider making as usual, but this year some of the cider will go into legal stills for making legal applejack. This is the Laird Distillery at Scobeyville, N. J., which holds the first fruit distiller permit issued since the drought began.

through the Federal Land Banks, and will supply the capital with which to start an association in Yellow Medicine County. Ole, if he requires, say, $1,000, will go to his association and give it a note. Of this note $50 will remain with the association as the amount to be subscribed to its capital, and $950 will be given Ole in cash. The association will discount this paper with the corporation at St. Paul. Interest on the loan will be at the rate of 6%, and may be even lower if the association is well-managed, if expenses are kept down, and if loans are made prudently. Farmers who have obtained loans from the regional Agricultural Credit Corp., which was an emergency activity of the government, will not have their loans renewed but will have them shifted to the Production Credit Corp. The Production Credit Corp. will get funds by discounting the notes of the associations with the Intermediate Credit Banks which, in turn, are able to issue tax-free debentures ranging from 1½% to 2%. These debentures are regarded as desirable investments by bankers and others.

Help from Cooperatives

Ole can get indirect credit if he belongs to a cooperative marketing organization to which he sells livestock, eggs, grain, or milk. Cooperatives can get loans which will help them to acquire creameries, granaries, warehouses, elevators, and other storing, packing, and processing plants, and also loans for working capital.

The central Bank of Cooperatives is located in Washington and is a part of the Farm Credit Administration. The cooperatives will be required to take stock equal to 5% of their loans in the Bank of Cooperatives. They may obtain long-term loans at 4½% and merchandising or operating capital at 4%.

In addition, Ole can get various types of benefit money by cooperating with the program of the Agricultural Adjustment Administration. Recently, he had an opportunity to get rid of sows and small pigs in order to decrease the oversupply of pigs now on the market. He can also join the county association for the reduction of crop acreage in his vicinity, from which he can get immediately a part of the benefit money, even though the reduction program will go into effect during the crop year of 1934.

Replacing the Banks

All this would indicate that the government is preempting the farm banking field at a rapid rate. This is because facilities for short- and long-term farm credit have been ruined and their absence has deflated farm prices.

The outlook is that there is going to be still more government credit for Ole and other farmers. The probability is that the government will give him additional indirect help by thawing out the local banks (discounting their mortgages or buying preferred stock) and ultimately putting the country banks in a position to extend short-term credit, although it is also contemplated that the Production Associations are to be permanent institutions and are to supply production credit whenever the rural banks fail to do so. It is the beginning of a long-term movement for farm credit, and it appears to be working out admirably. Its present shortcomings are those of any organization that is growing under tremendous pressure, inadequately prepared to take care of the mass of work that confronts it.

Milk Showdown

After much fumbling, AAA begins to tackle the essentials of milk control on a national basis.

THE confused and self-churning milk situation is moving out toward a wider base of local control, and toward a possible processing tax on milk, all its products and all its competitors. On Oct. 16, a hearing will be held in Washington on the milk processing tax. On the same date the "month's trial" period of the first milk-marketing agreements under the so-called "emergency plan" of September 14 comes to an end. The milk situation is pointing itself up to a declaration of a fixed policy. The trend indicates that this will be a central control, with local enforcement and record-keeping, and the processing tax (on everything, including oleomargarine) to work out a reduction of milk productive capacity.

The pressure of the milk situation in Washington has brought the matter to a head none too soon. With only a half dozen or so milk agreements put through, with 100 other milk-sheds shouting for help, and perhaps 100 more which are coming in surely, the need of the final plan—and of local control and accounting—has become clearly imperative.

The achievements of the AAA "emergency" plan are counted as follows: stopping much of the murder which has accompanied the distribution and the fight for markets of the product of the kindly kine; getting some of the producers and distributors together to do their own solving of the problems in important areas; getting the increased

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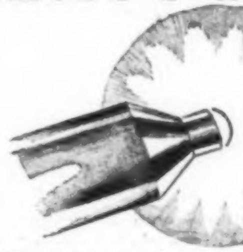

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price to the consumer passed on to the farmer. (Fluid milk brought $1.16 a 100 pounds on Feb. 15 and $1.45 on Aug. 29, while the margin of the distributor was cut from $3.58 to $3.56, that is, was practically unchanged, though the consumer paid $4.74 on Feb. 15 and $5.01 on Aug. 29.)

Cow Cycle Economics

The plan for a processing tax on milk and milk products is an effort to strike a blow at the heart of the overproduction problem in milk, which is now close to one of its periodic peaks. Like the peaks of cotton and wheat and other products that converged in the present depression, the cow cycle passed in 1933 or will pass in 1934 the peak of its 15-16 year period. There are 3% more cows this year than last, and the Bureau of Agricultural Economics forecasts that, counting out breeding, feed and rainfall, all of which are uncertainties, there will be much more milk next year than in 1933.

Complicating this trend has been the expansion of milk supply areas—the "milk sheds." Paths to market formerly followed the railways pretty largely. Then came highways, then milk trucks and tank cars, until it has become possible to pour milk into cities from 200 miles away. And by rail, Missouri and Kansas have sent milk and cream into New York and Boston, with a 2 to 4 degree rise in temperature in midsummer. The old milk cans, sent by express, were once the symbol of milk sheds; today they are forgotten, and the symbol is the great insulated vacuum bottle of a railway milk tank car, and the similarly equipped milk truck, tapping regions which a few years ago produced no milk at all for the market.

Dairy Companies' Job

These same facilities have made it possible to save vast quantities of milk that was once wasted, and, by centering supplies and interlocking distributing companies, no milk is sent into the cities that cannot be sold, and no city, under any ordinary circumstances, misses its daily supply; if a wreck or a flood shuts off its own shed, milk is rushed by tank car and tank truck from the neighboring big dairy company in another shed. The milk not needed in the cities is processed into butter, ice cream, cheese, casein and other products in the big country dairies, which are equipped at immense cost, built to save every fraction of a cent of value from the milk not used and to see that what is sold as fluid milk or cream gets to market in good condition.

The big dairy company has its side of all this. Cities have stringent sanitary laws. It costs money to have the machinery and the refrigeration facilities to comply with those laws. The record of milk in recent years is proof enough of the importance of this vast arm of American distribution which probably gives the consumer more for his money than most other items of his distribution bill.

However, government officials are suspicious of some of the dairy companies' cost allocations. They find a strange uniformity in the showing of virtually all the big dairies that they usually make a profit only on cream, perhaps from time to time a slight profit on milk in quart bottles, and a loss, always, on milk in pint bottles. But the concealment of profits isn't so easy in face of the accumulating list of laws and rulings. And the successful moves to force the distributors in general to pass price rises on to the farmers have taken most of the profit, even out of the cream sales.

With steadily increasing production, widening milk sheds, more efficient handling to reduce former heavy losses by souring, the problem of getting markets has turned into a war, and war with bloodshed. Farmers have been pitted against one another, markets once controlled by big and efficient dairy companies have been invaded, and the crises have been crowded with price wars.

Loss-Leader Difficulties

In cities, and particularly chain stores, milk is one of those much discussed "loss leaders," sold in quart bottles at cost, or a small profit at best. The cost, in certain cases, of delivering a quart of milk to the house in New York is about 2½¢, and the store sales cost is about ½¢, hence the famous 2-cent "differential." Now these costs are those, not of the big dairies but of the dairies which use paper bottles, the saving being attributed to much more compact packing, easier handling. And the estimate is that with a 2-cent differential between store-bought milk and delivered milk, 55% of the milk is sold through stores, while with a 1-cent differential 30% is sold through stores. Dr. Clyde L. King, who is in charge of the milk problems at AAA, holds that the upsetting of the orderly marketing of milk by the use of the paper bottle would put a far higher immediate cost on milk distribution than would be gained by the lowered cost of distributing the individual paper bottles through the stores. He holds that there should be no differential on account of difference in containers.

Paper Bottle Battle

The battle over the paper bottle was joined in Philadelphia, where a new dairy using paper bottles and distributing through the American Stores (a chain group) now sells about 50,000 quarts out of half a million sold in Philadelphia. A complete transfer of the milk distribution over to the paper bottles would entail the scrapping of an immense investment in bottles and in filling machines and the purchase or leasing of filling machinery for the paper bottles. The cost of gathering up and washing bottles is admittedly higher than the first and final cost of the paper bottles, and the claim is that the paper bottle wagon can carry up to 1,000 "points" or quarts of equivalent as against the 250 points that can be carried in glass bottles.

House delivery is little if any different, and the city milkman, who is also to be considered, makes from $35 to $60 a week by delivering the 70% of milk that goes to houses with only a 1-cent differential, or none, and may lose much of that if the stores take on more than half the sales at a 2-cent differential. And in Chicago, incidentally, milkmen make up to $6,000 a year on good routes.

Such is the typical milk problem that comes up to AAA, and which AAA is seeking hard to find a way to pass back to the communities. Much of it may be aired—in terms that even the layman can understand—at the hearing on a milk processing tax next week, on Oct. 16.

Reich Aids German Cities

Hitler offers German cities chance to meet overdue short-term debts with government-guaranteed long-term bonds bearing lower interest.

BERLIN—For years the precarious state of German communal finance has been the weakest spot in all German public finance. A year ago the seriousness of the situation attracted public attention when, following the default of such "good risk" cities as Frankfort, Cologne, and Dortmund, the Landesbank der Rheinprovinz, at Dusseldorf, appealed to creditors in Berlin for a 4-year postponement of its short-term debts (already overdue) and reduction of interest on these obligation to 4% (*BW-Nov23'32*). Only with the guarantee of the Prussian State was the bank able to win approval from creditors. As a result of the mass defaults on municipal bonds, prices on the Boerse have been depressed, in most cases to 60% or less of par value. This has been one of the main hindrances to a pickup on the security markets.

The Hitler government has attacked the problem in recent weeks and now

has announced a plan which should ease the situation and help to pull the depressed security market out of the dumps.

Communes which are unable to meet their short-term obligations may join a "Conversion Association" and offer their creditors, in settlement of their claims, 4% bonds issued by the association and redeemable at 3% a year, beginning in 1936. The bonds will carry a German government guarantee making them attractive to creditors.

Big Savings Promised

The communes will save nearly 40 million marks a year in the conversion operation, for the original credits carried an average of more than 7% interest, while the new bonds are cut to 4%. It is expected that the great majority of German cities and rural communes will joint the "Association" and avail themselves of the opportunity of refunding 3 billion to 4 billion marks of short-term debts (more than $1 billion), including various treasury note issues on which they have now defaulted. Foreign debts make up a negligible part of their short-term commitments and are, besides, already covered by a special "standstill agreement."

Another feature of the communal consolidation plan will bring material relief to communal budgets. About one-half of current expenditure for unemployment relief (600 million marks in 1933) will be taken over by the federal treasury this winter.

It is generally believed in the financial community that reduction of communal expenditure under these 2 headings (servicing of short-term debts and unemployment) will enable the communes to balance their budgets and to maintain the full service on their loans. Thus, all plans for further compulsory interest reduction on these municipal bonds have been abandoned to the great relief of bondholders and the bond market generally which for months has been depressed by the constant threat of further Nazi intervention in this respect.

Short-term creditors are the losers while bondholders (including substantial American interests) will benefit in the long run through secured interest payment and appreciation of their bonds. In fact, the announcement of the reform was followed by an immediate sharp rise in prices of communal bonds by 15% to 20%.

Whisky Deal

Americans place big orders with Scotch and Irish distilleries.

LONDON—Both Scotland and Northern Ireland are benefiting from the prospect of a wet America.

Representatives of an American syndicate have concluded a deal with William Walker of Glasgow for nearly 500,000 gallons of Scotch whisky, to be held in bond at the distilleries or elsewhere to the order of the syndicate. The check which has passed on this transaction is said to be in the neighborhood of £250,000.

This deal is said in the whisky trade to bring to a total of 5 million gallons the amount of whisky bought by the syndicate in the last few months.

In Northern Ireland, Boyd & Co., of Belfast, have bought the Coleraine distillery with a view to serving the American market with Irish whisky—that is, whisky of the Scotch type and not the distinctive Irish whiskey (always spelled with an "e") which is distilled in the South of Ireland. There is as yet no information on what quantity of Irish whiskey from the South is being bought to meet the tastes of America's genuine Irishmen.

Hudson Bay Port

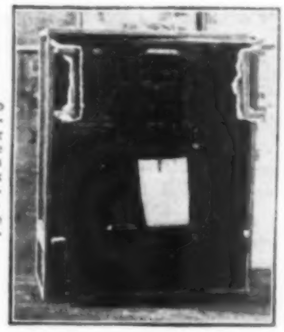
Even with a subsidy, Churchill has failed to attract economic volume of Canadian wheat shipments.

CANADA has just about decided that a port on Hudson Bay is very much a luxury instead of an economy or a necessity. For this reason the future of the $50-million Fort Churchill hangs in the balance, and with it the dream of Manitoba, heretofore one of the inland provinces, to have a great port through which the grain of Canada's prairie provinces would empty out to the Liverpool market.

Churchill is wholly a government project. Located at the southern end of Hudson Bay at a point where the Hudson Bay Co. has long had a trading post, the port is little further from Liverpool than Quebec, and is from 400 to 1,000 miles nearer the prairie regions where most of Canada's wheat is produced. It is connected with Winnipeg by a thread of railroad meant to bring to the provinces north of Minnesota and the Dakotas the bulk of their imports and to take their exports, especially wheat and flour.

But the port at Fort Churchill has an open season extending only from July 1 to Nov. 16, and because the region is free of ice for a much shorter period marine insurance is excessive except between Aug. 10 and Oct. 1. Except in the short shipping season, only a handful of people live at the port, which has a long and very severe winter. Even in summer, provincial officials do not allow anyone north of The Pas without a pass.

Two ships called at the port in 1931 to take out wheat in an experimental



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Of Business Week, published weekly at New York, N. Y., for Oct. 1, 1933.

State of New York } ss.
County of New York }

Before me, a Notary Public in and for the State and county aforesaid, personally appeared B. R. Putnam, who, having been duly sworn according to law, deposes and says that he is the Secretary of the McGraw-Hill Publishing Company, Inc., publishers of Business Week, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of March 3, 1933, embodied in section 537, Postal Laws and Regulations, printed on the reverse of this form, to wit:

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2. That the owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding one per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address, as well as those of each individual member, must be given.) McGraw-Hill Publishing Company, Inc., 330 West 42d St., N. Y. C. Stockholders of which are: James H. McGraw, 330 West 42d St., N. Y. C. James H. McGraw, Jr., 330 West 42d St., N. Y. C. James H. McGraw, James H. McGraw, Jr., and Malcolm Muir, 330 West 42d St., N. Y. C., Trustees for: Harold W. McGraw, James H. McGraw, Jr., Donald C. McGraw, Curtis W. McGraw. Curtis W. McGraw, 330 West 42d St., N. Y. C. Donald C. McGraw, 330 West 42d St., N. Y. C. Anne Hugus Britton, 330 West 42d St., N. Y. C. Mason Britton, 330 West 42d St., N. Y. C. Edgar Kobak, 330 West 42d St., N. Y. C. Grace W. Mehren, 33 West Grand Ave., Chicago, Ill. J. Malcolm Muir and Guaranty Trust Co. of New York, Trustees for Lida Kelly Muir, 524 Fifth Ave., N. Y. C. F. S. Weatherby, 271 Clinton Road, Brookline, Mass. Midwood Corporation, Madison, N. J. Stockholders of which are: Edwin S. Wilsey, Madison, N. J. Elsa M. Wilsey, Madison, N. J.

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5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the months preceding the date shown above is. (This information is required from daily publications only.)

B. R. PUTNAM, Secretary.
McGRAW-HILL PUBLISHING COMPANY, INC.

Sworn to and subscribed before me this 29th day of September, 1933.

[SEAL] H. B. BEIRNE.

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run. In 1932, 10 vessels called to carry away the 2.7 million bushels of wheat which had accumulated in the government-owned elevators only after much urging of the patriotic need to use the new port and reducing of marine insurance, storage fees, and transportation rates through use of a government subsidy. This year only 9 vessels called to carry away 2.5 million bushels of grain, and the last had left long before the end of the season with the stored wheat. Only 6,000 bushels of this year's wheat crop were shipped to the port, despite the endeavors of the politicians to tempt the trade.

Thorough critics say there are 5 reasons why Churchill has not become a success as a port. In the first place, freight rates have been reduced from the head of the Great Lakes to Montreal giving a new stimulus to old trade routes. Insurance over the Hudson Bay route is high. Storage at the port, at first free to encourage use of the new facilities, will cost approximately what it costs at other ports. Freight rates are high because of the inability of vessels to get incoming business. Finally, freight rates on less than carload shipments from Churchill to the interior.

The Financial Post, of Toronto, strongly opposed to further government aid for a project "obviously uneconomical," declares that the Hudson Bay route to Europe stands revealed "as one which cannot hope to draw a ton of cargo from the established trade routes of Canada, unless the Dominion government is prepared to bonus it—which means the Canadian taxpayer in one way or another will have to pay people to ship via Churchill."

Steel House

British engineer invents "thermostatic" house which can be erected in 16 hours with only a hammer, and at a saving of one-third over present construction costs.

LONDON—Until recently, Britain has depended on foreign producers for most of the experimental steel houses which have been erected within the country. Probably the German-made houses (*BW—Jul22'33*) have sold in largest number.

Protected by a tariff and stimulated by the general "Buy British" attitude which prevails in England now, a new all-British steel house has been patented and will soon be on the market. It will be called the "thermostatic" steel house, because it embodies the principle of the thermos flask.

There will be an outer and inner sheet, the space between being filled with a non-conducting material which makes the house warm in winter and cool in summer, and renders it damp-proof, fire-proof, and vermin-proof.

With foundation ready laid, 2 men can construct a house of 5 rooms, kitchen, and bath—a total of 30x20 ft.—with windows and doors, all ready for the paperhanger, plumber, and electrician, in 16 hours. The house can be erected without bolts, rivets, or welding, a hammer being the only tool absolutely necessary. The steel plates, window frames, doors, and other fittings are pressed out on mass production lines and fit together by an ingenious system of interlocking. The price is only two-thirds the total for the present type of brick houses of the same size.

Works and plant are being prepared and a model house will be erected at Newcastle-on-Tyne to demonstrate its advantages over the familiar English brick-built dwelling. Inventor is Donald Brown, Newcastle engineer and proprietor of the Winlaton-on-Tyne Sheet Metal Co.

Oil in Britain

Imperial Chemicals places orders for first oil-from-coal plant.

For years Imperial Chemicals has carried on a lobby campaign in Britain to get government protection for the development of an industry which would extract oil from coal. To insure an adequate supply of oil, Britain went to no end of trouble to get pretty complete control of the Persian oil fields which were exploited under the government-backed Anglo-Persian Oil Co. (*BW—Dec14'32*).

Early sign that Imperial Chemicals had made some progress came last February when the British Admiralty placed an order for a 12-month supply of oil extracted from coal. Second significant public announcement came in July when the government definitely promised protection to a domestic oil industry.

Now there are concrete developments. Orders have been placed in Sheffield for £250,000 of materials to be used in the construction of a plant at Billingham for the extraction of oil from coal.

In South Wales a scheme has been prepared and is being discussed for the financing of a hydrogenation plant and ten 1,000-ton low-temperature carbonization plants at a total cost of £7 millions. If the scheme goes through, the hydrogenation plant will produce 100,000 tons of gasoline a year, using about 365,000 tons of coal and employing permanently 1,000 miners and 1,500 process workers. Construction would give temporary work to about 15,000 men for a year. British coal trade leaders are now stumping the country declaring that the real enemy of domestic coal is foreign oil.

Business Abroad

Britain speculates on war debt discussions in Washington, expects a combination debt and stabilization bargain. France prepares for a political battle as Parliament reassembles. Germany again subsidizes house repairs. Japanese industry continues to expand.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Europe's business week has been comparatively quiet. France is worried over the approaching assembly of Parliament and the sharp struggle sure to develop over the budget. There is also extreme uneasiness over the currency.

Britain is cheered by signs of renewed activity in industry following the August recession. Germany has issued favorable reports from industry which everyone outside Germany discounts. Spain is planning an election after 4 months of political bargaining in which 3 governments have fallen. Moscow has turned stern in dealings with Japan and there is considerable new tension following the latest developments in the Chinese Eastern Railway case.

Stock prices have been generally up, and markets active, except in Germany. Bonds have sold well everywhere. The gold price is slightly down. Dollars are irregular at levels slightly above those prevailing last week. There are threats on all sides to raise new tariffs but most of them are only rumors based on fear of dollar-sterling devaluation and stabilization before other countries have the opportunity to conform.

France

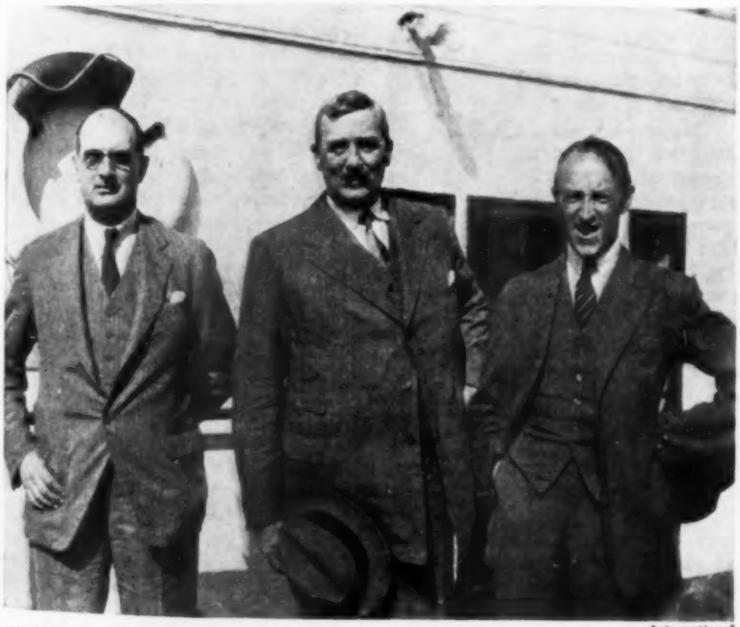
Country faces budget crisis as Parliament prepares to convene. Hoarding general though foreign funds still pour into Paris.

PARIS (*Wireless*)—For several weeks France has watched the annual reunions of the various political parties. This week they came to an end with the meeting of the Radical-Socialists, the party in power. Of all the developments at the meeting, the most significant to the average Frenchman watching politics for the effect on business was the statement by Premier Daladier, who presided: "The Chamber of Deputies will be convened in a few days for the fall session of Parliament. In the following week, our (French) finances will be set aright, or our country will have a new government."

Pessimists foresee a political crisis but this is problematical since all the important Right and Left parties concur on 3 important points of policy: (1) The budget must actually be balanced; (2) French security must be preserved; (3) social order must be maintained despite the growing economic crisis.

The only really disputable point is whether the solution to the problem will come through a reduction of living costs, or through higher taxation and the reduction of wages of the civil service employees. It is believed in Paris that there will be a mixture of lower living costs and higher taxation.

The inability of farmers to finance their harvests is a source of worry to the government for it is thought unwise to attempt a further flotation of government bonds at this time, despite the immediate market for most government securities following the influx of foreign capital. France is in the period of gold and currency hoarding which preceded the abandonment of gold in the United States. As government securities have been liquidated by nationals, they have, so far, been absorbed by foreign funds. This cannot continue indefinitely, the government realizes.



International

BRITISH BARGAINERS—Sir Frederick Leith-Ross (left), Sir Ronald Lindsay, and T. K. Bewley, members of the English financial commission, arrive in the United States to discuss War debts with Washington officials. London expects the debt negotiations to be linked to a plan for simultaneous devaluation and stabilization of the pound and the dollar.

Great Britain

New signs of industrial recovery. Britain has special problem to watch in war debt negotiations.

LONDON (*Cable*)—Recent general confidence in business has been augmented this week by notes in official speeches promising a budget surplus and continuing declines in the number of jobless, as well as by new reports from the industrial regions showing steady improvement in the iron and steel, coal, and rayon industries.

Stock markets have also reflected the new spirit. Following the small boomlet in rubber shares, traders are now pushing up automobile, iron and steel, and tin shares, with many indications that private investment money is beginning to feel the speculative urge. Governor Norman's warning at the bankers' dinner that clouds in the East and West are especially menacing was generally discounted by the masses, but it is worrying inner circles, where the possibility of pound-dollar stabilization, combined with a debt settlement, and both emerging from the present negotiations in Washington are regarded probable and the only remedy which will stave off successfully the autumn disintegration of currencies.

The repeated rumors that France is about to leave the gold standard are

considered in London to be greatly exaggerated. Most critics do not expect the move from Paris until the dollar's position is clarified.

Future of the Pound

The feeling is growing that if the dollar is to be devalued it will be as the result of—or a part of—a bargain to devalue the pound and the dollar simultaneously and that into that bargain war debts will be forced, despite the strong resistance hitherto in America to any such coupling.

The future of the pound, as such a bargain would affect it, is hard to infer. There are good reasons why sterling should not be tied hand and foot to the dollar. In the first place, London is again the world's greatest monetary center, and this would tend to make Britain sympathetic towards the gold currencies, and in the second place, recent treaties would be robbed of much of their force if the pound were devalued pari passu with the dollar. There is also the political tie of the Empire agreement of July that sterling will remain independent and follow neither gold nor the dollar. It is true that certain dominions would like to see a pound-dollar marriage, but one, at least, of them would resent any such drift away from the gold standard countries.

The task of Sir Frederick Leith-Ross when he meets President Roosevelt in Washington this month will not be easy. Britain does not want to be drawn into any dollar-pound stabilization bargain at the wrong parities; America does not want, presumably, to affront Congress by any war debt settlement on British lines. As a debtor, Britain has not changed her views. Her stand will be that of last year. But it would seem in London that America cannot again permit a token payment, which saved the situation last time. What then is to happen in December? Dare Britain default frankly and blatantly?

Will Britain Default?

It would be a most dangerous policy for her, since she is a large creditor nation and has spent most of the past 2 years abusing defaulting debtors. Her Balfour note policy was not to collect more than she had to pay, and there was an innocent little moral tag to that passage which is now being construed in many quarters as meaning that she did not in future intend to pay more than she collected. Failing an agreement, this might become her official attitude: that not she, but her own debtors, for whom she has since 1922 acted as a kind of clearing house, had forced default.

The December payment in any year has always been an awkward factor in Britain's monetary complex, for it accentuates the late autumnal drain of sterling on trade account. This year, with the effects of that drain still to be assessed, a December payment might have tragic results on Britain's recent up-turn, which would mean also bad results for America as the multiplex bargain between traders worked round. It will probably be the emphasizing of this aspect by the British representatives which will open the way to the linking of stabilization and debts.

Germany

Industry accelerates; unemployment declines; freight earnings slightly better. New subsidy for house repairs.

BERLIN (*Cable*)—There are further signs of business improvement in Germany this week. Industrial output in August, according to figures just released, was 22% above the total for August last year. Railroad freight earnings were up 10% in August. Purchasing power is lagging, as evidenced by the absence of an increase in retail sales. On the Boerse, bonds were strong, stocks weak, despite favorable reports from industry.

The government contends that it has reached the first objective of its labor battle with the reemployment of about 2 million men since January. The objective of the "second phase" of this offensive has also been proclaimed. It consists in maintaining the present rate of employment throughout the winter and eliminating the usual seasonal drop.

The possibilities offered in this respect by public works seem to have been more or less exhausted because of natural financial limits and because a good many projects (road construction in particular) have been interrupted by the approach of winter.

House-Repair Subsidy

The Nazi government is therefore now again having recourse to the one form of job-creating which in the past has proved particularly efficacious. In addition to the 200 million marks spent previously, it has appropriated as an integral part of the "winter employment program" another 500 million marks for subsidies for house repairs. This subsidy is granted house owners on the condition that they spend the four-fold amount of the government subsidy from their own (or borrowed) funds. In this way the government expenditure of half a billion marks is supposed, at least theoretically, to "mobilize" 2 billions of private capital for house repairs and renovations and thus keep the building trade going during the winter. Doubts are expressed whether the real estate interests will be able to absorb these large amounts in the comparatively short time of 6 months (the subsidy must be applied for and spent before Apr. 1, 1934).

Far East

Soviet-Japanese tension revived following newest Chinese Eastern controversy.

THE Far East is disturbed over the new tenseness between Moscow and Tokyo. Following the stern note from Moscow concerning the alleged "plot" of Japanese officials to seize the Chinese Eastern Railway (already known in Japan and Manchukuo as the North Manchuria Railway), Tokyo has protested that the scheme existed only in the minds of the Soviets and in forged reports. Officials in both countries are disturbed but both are attempting to cover their uneasiness. Walter Duranty, capable correspondent in Moscow for the New York *Times*, reported Soviet opinion succinctly: "Despite hard conditions here, the incessant 'ballyhoo' about Soviet progress and achievements as compared with retrogression, unemployment, and misery in the rest of the world has produced an effect on the masses. They have become proud of their land's position and therefore cannot understand why the Kremlin should take Japanese 'provocation' mildly. The Kremlin had its reasons (as recently as last year) for hesitancy, but they exist no longer."

Whether or not the matter blows over soon, it has effectively silenced for the time being further talks in Japan of a vast ¥50-million credit to Russia to finance the purchase of Japanese products. It has not stopped the popularity in Tokyo of Soviet gasoline which is being sold in vast quantities by a Japanese distributor. As recently as last spring, taxi drivers in Tokyo attempted a boycott of the local gasoline syndicate to force prices down, but they were not strong enough to win their case. When the sale of Soviet gasoline started in August through a native distribution agency, taxi drivers bought it exclusively, even after the syndicate dropped prices to a competitive level.

Japan Booms

Industrially, Japan is still progressing. Cotton yarn output in September reached 266,000 bales, an all-time record. Output in August was 253,000 bales; in July, it was 249,000. Reports for world output of rayon in the first half of this year push Japan into second place, after the United States.

The Japan Steel Tubing Co., of Tokyo, will join the International Gas Tube Syndicate, which includes leading manufacturers of Britain, France, Germany, Belgium, Luxembourg, and the United States and virtually controls the world market. The version of the agreement printed in the Japanese newspapers recently says that a contract is to be signed stipulating amounts and prices of steel tubes to be sold in Japan and

in Manchukuo. In Japan, Steel Tubing will market the wares of the syndicate, taking them on consignment. The agreement is limited to gas pipes less than 6 in. in diameter but is expected to be extended to other sizes. The basis of sales apportionment is 90% of Japanese products and 10% of foreign products for Japan and Manchukuo, subject to an increase in the foreign percentage should business pick up appreciably.

Latin America

Road construction programs continue in 3 states. France plans to thaw credits in Brazil.

THREE Latin American countries made road news this week. Argentina opened up the first 20-mile stretch of a 100,000-mile concrete highway program which will not be finished for 15 years. In Colombia, $10 millions are being diverted for road construction, particularly in the southeastern part of the republic where there have been disputes over boundaries with neighboring countries. Colombia proposes to plan the roads so that they will be of military importance and at the same time allow for the opening up of vast tracts for agricultural development. Bolivia is securing a large loan from the Banco Central de Bolivia which will be used for the construction of a system of national communications, a railroad to the frontier region of the Chaco, an irrigation system at the same place, and a new road in the oil fields of Bermejo.

The official visit to Rio de Janeiro of the President of the Argentine to sign a new trade pact and discuss plans for the more extensive development of trade between Brazil and Argentina is the center of much interest. Latin Americans hope it is only the beginning of much closer cooperation among themselves and the building of a united front before the Pan-American Conference meets in Montevideo this winter.

Brazil Thaws French Credits

It has been reported in Rio that an agreement has been signed between Brazil and France which will help to liquidate French funds frozen in Brazil. It is assumed that the agreement will be similar to the one arranged between France and Chile whereby a portion of the French credits frozen in Santiago are used to pay for French imports of Chilean nitrate and copper.

The week has been comparatively quiet in Cuba, with the sergeant's army holding considerably greater prestige since ousting of former officers from their stronghold in the National Hotel. The international sugar situation is again in the air following the failure of Washington to agree on the plan proposed last week (page 12).

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The Figures of the Week

Employment is still rising in factories and railroads, though department stores are slow to benefit. Rising clothing prices lifted the cost of living. Wholesale prices are now easing off. Steel business is lagging; construction rising.

OFFSETTING the less favorable reports of September, as those on the sharp decline in pig iron and steel production, the slump in department store sales, and the continued rise in the cost of living index, is the conspicuous gain of 6% in factory employment in New York State and the further drop in commercial failures to the lowest level in many years in spite of the anticipated added hardships imposed under the codes. Shoe production continues to push into new highs that leave even prosperous years far behind. That employment in the leading industrial state should expand in September after the steady rise since the spring months forecasts a similar encouraging result for the nation as a whole. It marks another mile in the Administration's effort to reduce unemployment, though the goal of 6 millions back on the job by Oct. 1 is undoubtedly not achieved.

Living costs of wage earners during September were increased largely by an 8% boost in clothing prices and a 3% rise in coal prices. The former probably is a direct result of code operation aimed at the elimination of sweatshop conditions in the clothing industry, while the latter is largely a seasonal phenomenon. That the increase in prices was accompanied by curtailment of buying eagerness is confirmed by the department store sales summary for September. The adjusted index of the Federal Reserve Board declined from 77% to 70% of the 1923-1925 average. The 2% margin above a year ago was achieved by the unusually sharp gains recorded in some sections, such as Philadelphia and Cleveland, offsetting minor declines in most other districts. Whether the "Buy Now" campaign (page 5) will succeed in overcoming consumer shyness remains to be seen.

Steel production in September, according to the official figures compiled by the American Iron and Steel Institute, dropped 20% from the August tonnage to little more than 2.3 million tons. Yet the 9-month total is 68% greater than in the same period of 1932, and even 30.6% greater than the entire tonnage of 1932. Operations declined to 40.9% of capacity, a level that has not quite been maintained in the opening weeks of October. The decline in steel was anticipated from the earlier report on pig iron production which declined 17% during the same period.

Unfilled Orders Drop

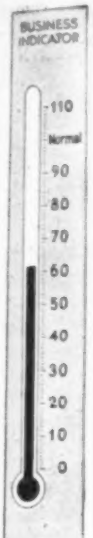
Close observers of the situation in steel were rather glum in their forecasts on the volume of unfilled orders that Big Steel would show at the close of September, and they were not disappointed. A decline of 114,704 tons left the backlog at the lowest level since the monthly compilations were begun in 1910. Only 1,775,740 tons remain on the books of the U. S. Steel Corp. after a month of declining operations. Some cheer may be gleaned from the report in spite of its shrinkage, inasmuch as hereafter unfilled orders will mean genuine orders not subject to cancellation without penalty.

New business has been slow in coming in of late, though a lull was to be expected following the rush to specify

BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY

	Latest Week	*Preceding Week*	*Year Ago*	*Five-Year Average (1928-1932)*
BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*62.3	†62.2	55.4	......
PRODUCTION				
Steel Ingot Operation (% of capacity)	40	37	19	55
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks' basis)	$4,620	$4,162	$5,174	$13,883
Bituminous Coal (daily average, 1,000 tons)	*1,143	†1,116	1,132	1,559
Electric Power (millions K. W. H.)	1,646	1,653	1,506	1,665
TRADE				
Total Carloadings (daily average, 1,000 cars)	110	109	104	158
Miscellaneous and L. C. L. Carloadings (daily average 1,000 cars)	68	68	67	102
Check Payments (outside N. Y. City, millions)	$3,331	$2,850	$3,364	$5,711
Money in Circulation (daily average, millions)	$5,663	$5,622	$5,666	$5,054
PRICES ***(Average for the Week)***				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.87	$.88	$.47	$.79
Cotton (middling, New York, lb.)	*$.096	$.099	$.068	$.123
Iron and Steel (STEEL, composite, ton)	$31.60	$31.60	$29.30	$32.83
Copper (electrolytic, f.o.b. refinery, lb.)	......	$.087	$.060	$.111
All Commodities (Fisher's Index, 1926 = 100)	71.1	71.4	61.8	81.2
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,436	$2,408	$2,241	$1,649
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$16,548	$16,529	$16,826	......
Commercial Loans, Federal Reserve reporting member banks (millions)	$4,914	$4,853	$5,238	......
Security Loans, Federal Reserve reporting member banks (millions)	$3,651	$3,687	$3,948	......
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$790	$806	$426	$3,173
Stock Prices (average 100 stocks, Herald Tribune)	*$98.74	$97.40	$84.99	$140.14
Bond Prices (Dow, Jones, average 40 bonds)	*$84.20	$83.87	$80.03	$90.51
Interest Rates—Call Loans (daily average, renewal) N.Y. Stock Exchange	.8%	.8%	2%	4.2%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	1¼%	1¼%	2-2¼%	3.8%
Business Failures (Dun and Bradstreet, number)	263	251	496	457

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For any further information, write the editor.

before the Oct. 1 price list went into effect. This will sustain production schedules for a while, but additional volume will soon be required to hold the current rate. Whether this will come from the rail business that was so temptingly held forth last week or from the motor centers as new models swing into line, or from public works projects, is still problematical. Steel hopes it may come from all three, in order that production may be lifted to more profitable levels.

Rail Business

Steel leaders are not altogether happy about the buying tactics of the Administration as represented by Coordinator Eastman's proposition for rail and track fastening tonnage. The volume of over a million tons dazzled them, to be sure, but the price tag aroused resentment. At $35 a ton, the price falls below that of such products as plates and structural shapes, carbon bars and hot-rolled strips. There is talk of need of a steel lobby at Washington to put government officials in touch with the facts in steel, to create a more sympathetic attitude and understanding of the industry. The lack of such a representative is believed responsible for the loss of a considerable order for housing accommodation for the Conservation Corps which went to the lumber industry with a record-breaking order.

Hope is expressed that rail equipment business may prove more lucrative than the proffered rail order, though the precedent on price requirements is not entirely reassuring. Only 23 freight cars were awarded in September, according to *Steel*, compared with 202 in August. Almost 15% of the freight cars and 22% of the locomotives on Class I railroads were in need of repair in September.

Motor production is tapering, with October estimates approximating 145,000 against the 189,000 estimated for September. General Motors also indicates the expected autumn contraction in sales to consumers in the United States which dropped from 86,372 in August to 71,458 in September. Compared with last year, however, sales remain at surprisingly high levels. Tool and die maker strikes in Detroit still remain unsettled, hampering the work on new models.

Strikes in coal mines attached to steel companies have proved more trying to steel mills than those in steel mills proper. During the week ending Sept. 30, no Connellsville coke was produced, the first break in 53 years. Other bituminous and anthracite mines expanded production, giving miners as much work as they would take.

Peak Construction

September awarding of construction contracts finished in good style, setting a new peak for the year. The final spurt was achieved by the public works division, though the excellent progress made by both residential and non-residential building earlier in the month contributed heavily to the final glorious result. Total contracts were valued at $122.6 millions, a 15.5% improvement over August and a mere 3.9% lapse from last year's level. By October, 1932 should be left behind, as the volume of public works projects expands further. September awards reached $60.7 millions, an 18% gain over August, but nearly 12% behind a year ago.

Non-residential building jobs were worth almost $38 millions, which is 16% more than in August, and 5.5% better than a year ago. Residential construction is also making a neat comeback. Contracts let were valued at $23.9 millions, an 8.9% improvement over August, and 4.8% over a year ago.

Industrial consumption of electric power is wavering slightly, pulling the national total down to 9.3% above last year against 10.2% the preceding week. The last monthly analysis of power consumption available—for August—reveals no sharp changes from July. Domestic consumption of current was 3% greater than a year ago; large commercial users required 30% more power than last year.

More Workers on Railroads

In spite of strikes in coal mines, freight shipment rose during the Sept. 30 week largely due to the sharp increase in coal loadings. Traffic expansion has necessitated a steady increase in railroad employment since March. Executive and clerical staffs remain smaller than a year ago, but maintenance-of-way and equipment, train and engine service divisions have been enlarged. Western roads are now experimenting with lower fares to stimulate passenger traffic.

Commodity prices had another weak spell in the past few days. Every leading item has felt the lack of buying pressure. Corn led the way for wheat, but experienced a slight revival. October crop reports announced that favorable weather had still further enlarged prospective crops. Wallace's refusal to sign the sugar pact was no boon to sugar prices. A drop in hide prices proved a sales stimulus. Hog prices continue to soar. Copper is off to 8¾¢ per pound, as custom smelters liquidate.

The Financial Markets

Banks now seem to be using excess reserves to expand credit. Stocks spurt, bonds are steady with foreigns strong. Credit inflation quietly under way.

Money

READING the conservative press of the country one would come to the conclusion that a determined fight is going on against inflation in which the conservative elements are about to prevail, or already have prevailed, over the advocates of inflation. As a matter of fact, the theoretical discussion has simmered down to an argument about a currency inflation of fiat money. The country now accepts without much comment the important moves that are being made to bring about a credit inflation. The Federal Reserve statement of Oct. 5, which showed holdings of government bonds increased by the usual amount of $35 millions, currency issues of both Federal Reserve notes and Federal Reserve bank notes totaling $42 millions, and money in circulation actually up $57 millions, went unnoticed. The total amount of Federal Reserve credit outstanding did not increase the full extent of $35 millions, the amount added to holdings of United States government securities, because the member banks had paid off obligations and reduced their borrowings by almost $10 millions.

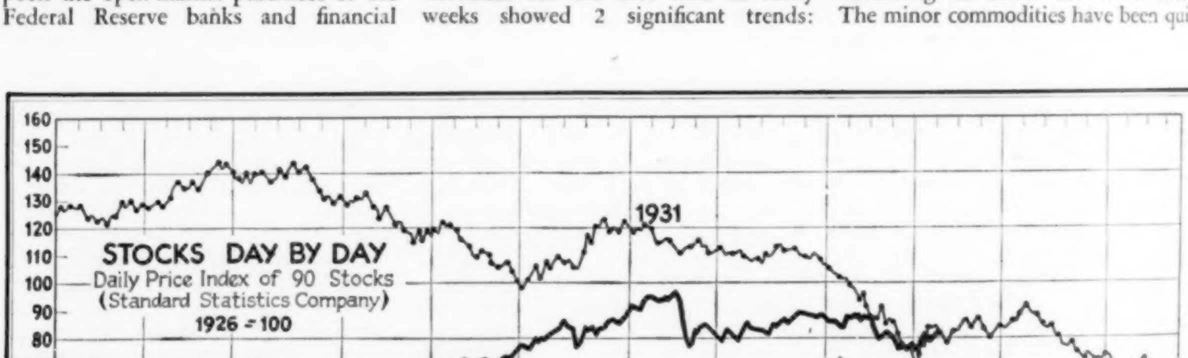
It has become the custom to pooh-pooh the open-market purchases of the Federal Reserve banks and financial writers have gleefully pointed out that these purchases merely increase the reserve deposits of the banks, but in no wise increase the credit granted by the banks. This is not true for the week under discussion. In spite of an addition of $57 millions of money in circulation and $35 millions in United States securities bought, there was a decrease of $72 millions in member bank deposits. This would indicate that the banks are beginning to use their excess reserves for credit.

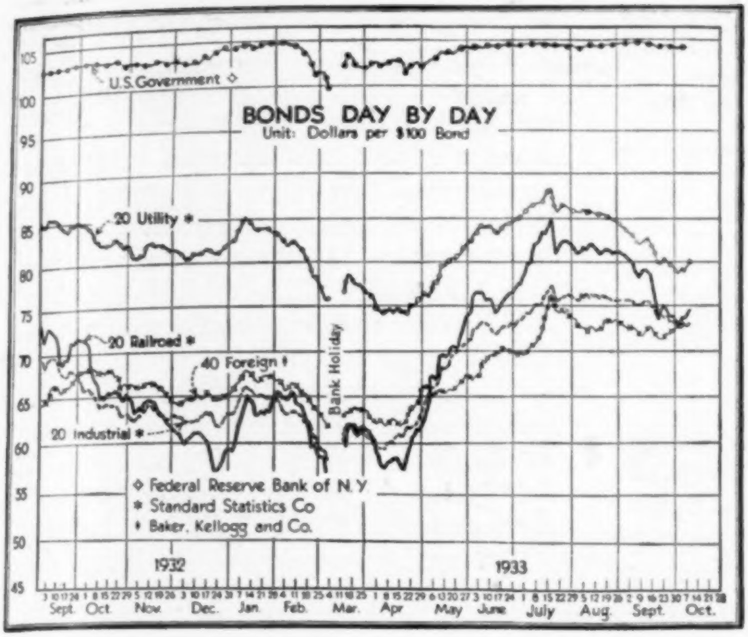
The condition statement of weekly reporting member banks in 90 leading cities partly bore out this conclusion. "All other" loans increased $53 millions in the New York districts and $61 millions at all reporting banks. This was offset by a decline of $36 millions in loans and securities; therefore, the increase in loans was only $25 millions. Investments of the banks also showed an interesting shift. A drop of $34 millions in United States government securities indicates that the banks had sold their government obligations to the Federal Reserve banks, and invested $28 millions of the proceeds in "other securities."

On the whole then, the banking statement for the first time in many weeks showed 2 significant trends: First, an increase of "all other loans" which augurs well for an expansion of credit for industry and, second, a shift from United States government obligations to other securities. This trend, if continued, would prove especially important because it would tend greatly to improve the bond market, a prerequisite to new financing, which, in turn, is a prerequisite for the revival of capital construction.

Further good news for the expansion of credit comes from Washington with the appointment of Henry Bruere, a conservative and able New York savings banker, to head a new government bank designed to help liquidate the closed financial institutions of the country and release frozen deposits. This is regarded as one of the most important features of the recovery program and indicates that the final liquidation incident to the banking difficulties of last spring is about to take place. The new institution is to be financed by the Reconstruction Finance Corp. and linked with the new Insurance Deposit Corp.

Commodity prices in general have been irregular and inconsistent. For instance, a brief period of weakness after release of the cotton-crop report of the government, which seemed to confuse traders, was followed by a spirited recovery in which gains of $2 a bale took place. Ordinarily, an indicated yield of 471,000 bales over the Sept. 1 estimate would have brought about declines. Grains have been highly irregular with wheat off more than a cent a bushel and the coarse cereals advancing to about the same extent. The minor commodities have been quiet





Exchange continues to move against the dollar. Talk of imminent stabilization accompanied by devaluation has subsided. It now appears more likely that the Administration stands ready to receive proposals looking to a joint stabilization of the pound and the dollar, to which there may be joined other currencies, but such action does not appear to be imminent. There is no disposition on the part of the Administration to hurry the discussion, especially since the downward trend of the dollar continues to put domestic prices in a more favorable situation in accordance with Administration policy.

Bonds

An outstanding development has been the renewed strength in the bond market in which the foreign bonds have taken the lead. French government and municipal bonds have been in active demand and have risen to their best level since they were issued.

New corporate flotations for September reached only $27 millions, while the amount of state and municipal issues totaled but $37 millions. Then there was a $30-million collateral trust debenture of the Federal Intermediate Credit Bank making an aggregate of financing for the month of no more than $94 millions. Of this, $30 millions was for refunding purposes, thus leaving $64 millions of strictly new capital. This forms the theme song of those who blame the Securities Act. New capital issues for the 9 months ended September totaled $509 millions which compares with $922 millions for the corresponding 9 months in 1932.

Stocks

SPURRED by new speculative confidence generated by the exuberant rally on Wednesday, Oct. 4, when the largest advances since July 24, and the fourth largest of the year, were registered, the stock market has made encouraging, if not spectacular, gains.

The oversold condition of the market supplied the chief reason for the advance, but Wall Street was cheered by news that plans were being speeded up to reopen closed banks as rapidly as possible and thus release about $2 billions of frozen deposits. Renewed confidence that the Administration will be able to iron out the labor difficulties contributed to the Street's optimism. The news that Bell System telephone connections had shot up in August for the first time since the beginning of 1930, that the gain in electric power production for the week was greater than in the preceding week (instead of showing the expected downturn) and that chain store sales for September had held their own with August, provided additional rays of sunshine.

Even the NRA, which has been the bugaboo of Wall Street in recent weeks, has come in for some favorable comments in connection with the stabilization of the oil industry. Almost over night, it headed that industry back toward profits; oil stocks are firmer.

Dun & Bradstreet's report on September bankruptcies at 1,116 with liabilities of $22 millions was below that of any other month in many years past—one of the many recovery straws. On the other hand, there have been dividend reductions and the new earnings statements now due are awaited with misgivings.

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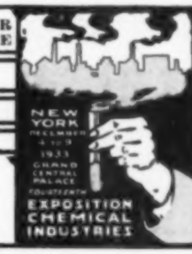

REMEMBER THE DATE

102A

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4. A rail equipment	1.84	35
5. A household app.	.81	12
6. Another mining	.77	40
7. An amusement	.30	29
8. A chemical	8.27	31⅛
9. A motor	1.51	29¼
10. A rubber	.84	34½
11. Another chemical	2.14	70
12. A food	.93	55¼
13. A motor	1.97	42⅛
14. A rail	.64	42
15. A chemical	1.20	33⅛
16. A building	1.14	43
17. A home equipment	.88	20
18. A department store	1.12	51
19. An oil refiner	.44	23¼

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BUSINESS WEEK

The Journal of Business News and Interpretation

OCTOBER 14, 1933

Labor and Recovery

GREATEST need of business just now is stability and confidence. Continuing recovery demands such faith in the outlook as will give business men courage to make commitments, lay plans for the future and undertake to carry them out. Nothing—not even uncertainty as to monetary policy—has disturbed confidence so much as the outburst of labor troubles. Strikes and the fear of strikes, and the forecast of turbulent times with labor are largely responsible for such slowing up of business as there has been in recent weeks.

In so far as words could help, the labor situation has improved since we pointed to it last week as the danger spot in the pathway to recovery. The President spoke his mind vigorously enough at the dedication of the Samuel Gompers memorial. He served notice that "the horses that will not work in harness will have to be put in a corral." He mentioned the selfish ambition of leaders as a source of trouble, and one that could not be allowed to block the national program. He spoke of blind employers, too, but it was clear enough where the weight of admonition fell.

It is reliably reported that behind the scenes, the leaders of the American Federation of Labor heard some talk that was even plainer. They were told with an emphasis that left no room for doubt that the great effort toward recovery would not be allowed to be held up by an epidemic of strikes, and that they must exercise control, or the government would have to intervene.

General Johnson, in the course of an address which was a masterly exposition of the social and economic principles upon which NIRA is based, bluntly told the Federation leaders that the public would destroy them if they permitted or countenanced the economic sabotage of strikes at this critical time.

So far, so good. But the Administration has not solved its labor problem that easily. Its sincerity is certain to be tested by aggressive organizers. If they find its bold words are nothing but words, their aggressiveness will increase. If a test proves the Administration means to be firm, union policy will be modified accordingly.

It is to be remembered that the Federation of Labor does not control the whole situation. Indeed, some of the worst troubles are due to outside organizers and agitators who own no master in Mr. Green and his executive council. The Administration will have to deal with these men, amenable to no discipline whatever.

The Federation will do well, if it sincerely wants to help, to modulate the tone of voice with which it speaks in Washington. If the conduct of some of its representatives before NRA truly represents the sentiment of the unions, the situation is dangerous, indeed. But if the Federation has merely been unfortunate in the choice of some of its spokesmen, that is something it can remedy in short order. The narrow outlook, the hostile attitude, the implied threats of labor representatives have frightened industrialists as much as, or more than, such actual strikes as already have developed.

All this will be seized upon as anti-labor talk from us. It is not. It is pro-labor. Organized labor can do itself no greater disservice than to retard business recovery at the present critical stage, and they are not true friends of labor who give it other advice. Labor stands to gain ten times more from business recovery than from winning fights over recognition and such issues at this juncture. Nor, to put it on the lowest of practical terms, is it even clever tactics to fight now. Few industries are running at capacity, few are earning profits. Many demands which seem excessive now will not when business again is profitable.

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